

Arms Makers Wean Themselves From the Pentagon

By Leslie Wayne  
New York Times Service

NEW YORK — As the United States maintains an armed buildup in the Gulf against Iraq, U.S. military contractors are completing a multibillion-dollar reorganization that has left them less tied to the Pentagon's needs and more beholden to shareholder pressures and civilian market forces.

A decade-long slide in America's military procurement budget — it is 69 percent lower today than in 1985 — set off a wave of mergers among military contractors so broad that there are now only three prime military contractors left: Boeing Co., Raytheon Co. and Lockheed Martin Corp.

But more importantly, all three expect military contracts to become an increasingly smaller part of their business. And at Lockheed, which has led the

consolidation, military sales will represent a minority of its business in five years.

In fact, what was seen as a military-industrial complex of hundreds of contractors ready to churn out military hardware at the Pentagon's behest does not exist at anywhere near the same scale it once did. It has been replaced with an industrial base of three major companies, along with many small niche suppliers, where the distinctions between a military contractor and a civilian corporation are increasingly blurred and where the Pentagon is just one of many customers to do business with.

"We will have American industry providing for national defense," said Lockheed Martin's chairman, Norman Augustine. "But we will not have a national defense industry. This is not the best of all worlds. We'll have to draw on our industrial base rather than having the defense capability of the past."

Jacques Gansler, undersecretary of defense for acquisition and technology, agreed. "We now think of the defense-industrial base as the U.S. industrial base," he said.

The price of this change, industry analysts say, is the potential for less innovation in the design of military products, and less control by the Pentagon over its suppliers, in times of peace as well as in war, because the Pentagon has less financial clout over them.

"Power has shifted from the Defense Department to the defense contractors," said a congressional military analyst, who spoke on condition of anonymity. "The Pentagon has less leverage when there are fewer places to go to fill mission needs. Companies have fiduciary responsibilities to shareholders."

It is, of course, too early to determine the impact

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11 EU Nations Fit The Bill for Euro

Reduced Inflation and Deficits Meet Single Currency Target

By Edmund L. Andrews  
New York Times Service

FRANKFURT — With nine months left before the inauguration of Europe's single currency, countries across the Continent provided Friday the most tangible evidence yet that they have already yoked themselves to a common economic policy.

As European governments released their official economic results for 1997, countries from Italy and France to Germany reported that their budget deficits and inflation rates had been slashed low enough to cheer the most dour central banker.

The results, as expected, all but assure that 11 nations, including Italy and other Mediterranean countries, will meet the strict economic requirements for adopting the euro. Two years ago, Germans and many other Continental Europeans would have laughed or gasped at such a prospect.

Italy, Spain and Portugal, long viewed from elsewhere in Europe as the Continent's economic laggards, have brought their annual inflation rates down to about 2 percent. Their budget deficits, once astronomical, are now lower than those of Germany.

Germany, which continues to reel from record unemployment and massive expenditures to prop up its formerly communist eastern half, astonished most experts by reporting that its budget deficit in 1997 was just 2.7 percent of total economic output, far less than most economists had predicted as recently as summer.

Italy announced a deficit of 2.7 percent of gross domestic product, lower than the 2.85 percent forecast just a month ago. France said its deficit was exactly 3.0 percent of GDP, its lowest level in years.

Under the Maastricht treaty rules for joining the euro, countries must have achieved a 1997 deficit at, below or close to 3 percent of GDP and show that such a level is sustainable in 1998.

The new reports testify to a broad shift in economic priorities, in which fighting inflation has taken a clear priority over job creation and more expansive social programs. Despite an element of book-keeping gimmickry in every country, economists say both the pain and the gain of transformation have been real.

Austere monetary policies, which stamped out inflation in France and Italy, have been a big reason for crippling growth and pushing joblessness to double-digit levels across the Continent. Italy has clamped down on pension cheaters, trimmed social programs and passed legislation to drastically curtail pension benefits for the next generation of workers.

Germans, meanwhile, have been forced to pay even higher taxes than they already were paying. Mandatory pension contributions jumped to 20.3

percent of pay from 17 percent over the last several years, and the value-added tax was raised to 16 percent from 15 percent. Bonn reduced spending last year on job-creation programs, which helped add nearly 400,000 people to the jobless rolls last year.

"There is creative accounting in every country," said Martin Huelner, chief economist at Bayerische Vereinsbank AG in Munich, "but it has nothing to do with why we fulfilled the Maastricht criteria. The answer to how we achieved it is very simple: It was tax increases."

Three European Union members — Britain, Denmark and Sweden — have chosen not to join the first wave of

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After Iraq Crisis, U.S. Standing Takes Hit in Gulf

Arabs See a 'Double Standard' In Treatment of Iraq and Israel

By Serge Schmemmann and Douglas Jehl  
New York Times Service

JERUSALEM — With the Iraq crisis in remission, one question thrown into sharp relief is whether the standing of the United States in the Middle East has suffered.

The refusal of any Arab government other than Kuwait to support Washington publicly, and the flag-burning demonstrations in support of Iraq on Palestinian

NEWS ANALYSIS

ian, Jordanian and Egyptian streets created the impression that the showdown had struck a blow to American prestige, and to its credibility as an honest broker.

But whether the passions of the moment, however strong, amounted to a real decline of American power is another question. There are diplomats and experts who argue that the matter demonstrated that there is still no viable alternative to American power in the region, nor to American mediation between Israel and the Palestinians.

Many Arabs, and some Israeli commentators, attributed the outpouring of support for Iraq on Arab streets to a popular perception that the United States maintains a double standard in the Middle East, using a heavy cudgel against Arab republics like Saddam Hussein of Iraq, while doing little to compel Prime Minister Benjamin Netanyahu to honor Israel's commitments to peace.

The parallel is untenable, not least because Israel is not demonstrably in violation of UN Security Council decrees. But the theme played loudly in Palestinian demonstrations and elsewhere in the Arab world.

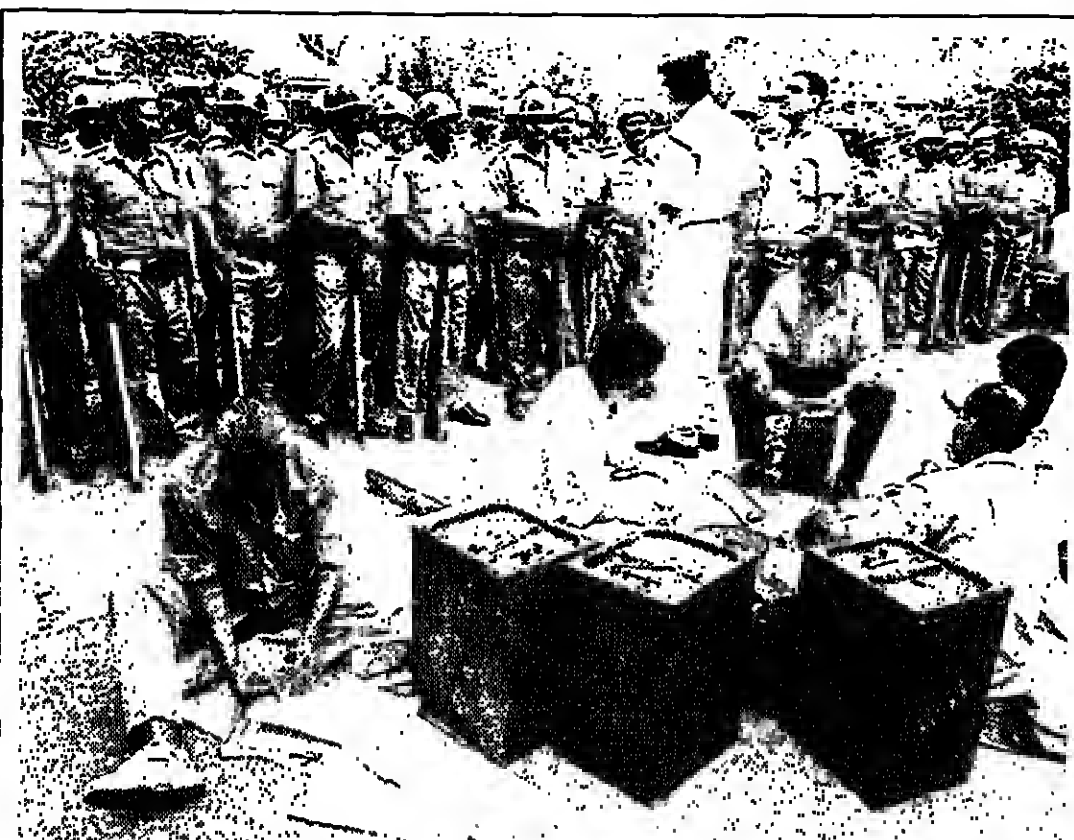
"There is a deep feeling that when it comes to the Arabs, it's always very harsh treatment, and when it comes to the Israelis, it's easy," said Mohammed Sid Ahmed, a prominent Egyptian intellectual and columnist.

Some Israeli commentators saw in these sentiments a potential shift in the Middle East equation. Whatever happened in Iraq, Hemi Shalev wrote in the daily newspaper Ma'ariv, "over the next few weeks the Israeli government will have to deal with the increasing awareness that the American administration's position has been damaged in the region, damage that is caused by what the Arabs portray with considerable success as the American 'double standard' toward Israel and Iraq."

More broadly, there is the sense that the American threats have opened what Guy Bechor, a commentator for the daily Ha'aretz, described as "Saddamism" — a channel for Arab frustrations that arose from the image of the United States as a "barred castle that cracks down brutally whenever the Eastern serf raises his head."

An Arab commentator who has offered one of the darkest interpretations is Mustapha Barky, editor of the Egyptian weekly Al Oubon.

"A wave of hatred against the United States has started and it is unlikely that it will stop at any time soon," he said in an interview. "Bill Clinton managed the crisis very badly. The United States is going out from this crisis leaving an image of an arrogant power intent on dividing the Arab world. Arabs now make no difference between Israelis and Americans. Even



Election officials preparing ballot boxes under the gaze of the police in Calcutta on Friday.

Sonia Gandhi Shakes Up India Vote

Italian-Born Widow Gives Hindu Nationalists Cause for Alarm

By John F. Burns  
New York Times Service

POONA, India — After she arrived in India as a bride from her native Italy 30 years ago, Sonia Gandhi extracted what proved to be a vain promise from her husband, Rajiv Gandhi: He vowed he would stick to his life as an airline pilot and never expose himself, his wife or his children to the clamorous, often dangerous world of Indian politics.

After a month of hectic campaigning in India's general election, the woman who started life as Sonia Maino, the Roman Catholic daughter of a building contractor from a small town near Turin, is today the undisputed star of the domain she once shunned.

At 51, Mrs. Gandhi has added an astonishing new chapter to the story of the Nehrus and the Gandhis, the family that has done more to write the political history of India in the 20th century than any other.

As campaigning across the country ended Thursday before the final round of voting Saturday, there were few in India who doubted that Mrs. Gandhi had turned the election upside down. Her work for the Congress (I) Party has left Indian forecasters — who had expected a victory by the Hindu nationalists of the Bharatiya Janata Party — reluctant to guess what the final result will be.

In so doing, she has also overcome what could have been one of her biggest political liabilities: her foreign birth.

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Libya Wins Court Round Over Lockerbie Suspects

By Craig R. Whitney  
New York Times Service

PARIS — Rejecting arguments by the United States and Britain, the World Court at The Hague ruled Friday that it had authority to decide whether Libya must surrender two of its citizens for trial on charges of blowing up a Pan American jumbo jet over Scotland in December 1988.

Libya, which has been under international sanctions for six years for defying United Nations Security Council resolutions calling on it to turn over the two suspects to Britain or the United States, hailed the ruling.

Its offer to try the two suspects itself or let them go on trial in a neutral country is not taken

seriously by British or American authorities.

The United States and Britain identified the two suspects in the case after investigations that concluded that the bombing had been an act of state-sponsored terrorism by the government of Colonel Muammar Qaddafi.

Libyan agents, the countries said, planted a bomb in a suitcase that exploded in a fireball and brought down Pan Am Flight 103 over Lockerbie, Scotland, killing all 259 aboard the plane and 11 on the ground.

Britain and France argued that Security Council resolutions in 1992 and 1993 calling on Libya to surrender the two suspects to the United States and Britain precluded the World Court's taking

jurisdiction in the case.

Libya asked the court to rule that the 1971 Montreal Convention against terrorism in aviation applied instead and gave it the right to prosecute the defendants itself or find a neutral venue for their trial.

The court's ruling, 13 to 2, with the president of the court, Judge Stephen Schwebel, a U.S. citizen, and a British judge opposed, was only a preliminary finding.

The court ruled that it had jurisdiction to decide the merits of Libya's case, and it set no date for further hearings.

"This is neither a victory nor a defeat," Foreign Secretary Robin Cook said in London. "The

See COURT, Page 4

At the moment at least, there's insecurity about some other places," Mr. Rubin said, "and that may cause money to come here to a somewhat greater extent than would otherwise be the case."

For the moment, the Clinton administration is satisfied with the dollar's value, Mr. Rubin suggested, even though Japanese officials have talked about the possibility of coordinating currency purchases to limit the dollar's gains.

Mr. Rubin also said he had no intention of resigning from the Clinton administration in the near term. "We have an agenda pretty much set out for the rest of the year," he said. "I'm intending to be here to work on the very many challenges we have ahead of us."

He also said Asia's economic prob-

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Murdoch Firm Scraps 'Anti-China' Book

Magnate Made Clear He Disliked Patten's Views

By Warren Hoge  
New York Times Service

LONDON — HarperCollins has dropped plans to publish a book by Chris Patten, the last British governor of Hong Kong, because of complaints from the publishing house's owner, Rupert Murdoch, that it took too negative a view of China.

Mr. Murdoch, the international media executive, has extensive holdings in China and ambitious plans for expansion there. In a similar move to avoid irritating the Chinese government in 1994, he removed the BBC news service from his Hong Kong-based satellite broadcaster Star TV after the Chinese protested the service's documentaries on China and its coverage of Chinese dissidents.

Mr. Patten, governor of the colony from 1992 until its handover to China last June, said Friday that he was suing HarperCollins for damages and breach of contract. He said that Macmillan had picked up the memoir, "East and West,"

for publication in September and that he was "adamant that my book will be read the way I intended it to be read."

It will be published at the same time in the United States by Times Books, a division of Random House.

The Daily Telegraph printed on Friday a "private and confidential" HarperCollins memo acknowledging Mr. Murdoch's assessment of the "negative aspect of publication" of the Patten book and setting out the strategy for disguising the real reason publication was being abandoned.

The memo, sent by Eddie Bell, chairman of HarperCollins UK, to Anthea Disney, chief executive of News American Publishing, a subsidiary of Mr. Murdoch's News Corp., in New York, expressed great anxiety over the fallout the move would cause and how a "hostile press" might report it. It ended with a request for confirmation that "KRM" — Keith Rupert Murdoch — would be briefed on its contents.

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The Dollar			
	Friday 4 P.M.	previous close	
New York	1.8154	1.8145	
DM	1.8154	1.8145	
Pound	1.634	1.6455	
Yen	126.08	127.27	
FF	6.0905	6.0795	
The Dow			
	Friday close	previous close	
+55.05	8545.72	8490.67	
S&P 500			
	Friday 4 P.M.	previous close	
change	1048.34	1048.67	

Newsstand Prices	
Andorra	10.00 FF Lebanon
Armenia	12.50 FF Morocco
Austria	1.600 CFA Cote d'Ivoire
Bahrain	5.50 FF Reunion
Belgium	10.00 FF Saudi Arabia
Brazil	1.100 CFA Senegal
Canada	2.800 Lira Spain
Chad	1.250 CFA Tunisia
Colombia	1.250 JD U.A.E.
Croatia	700 Fils U.S. M.

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AGENDA U.S. High Court to Judge Line-Item Veto

WASHINGTON (AP) — The Supreme Court agreed Friday to judge the legitimacy of the line-item veto law that gave the U.S. president the power to cancel specific items in spending and tax bills approved by Congress.

The highest court's fast-track review of a federal judge's ruling striking down the law sets the stage for a momentous decision by late June on the separation of powers between Congress and the presidency.

Cambodia Factions Agree to Cease-Fire

The two main competing forces in Cambodia declared cease-fires Friday, raising hopes that a Japanese-brokered peace plan will unify the country in time for elections in July. Prince Norodom Ranariddh said from exile in Bangkok that the pact would allow him to return to Phnom Penh in time to run in the elections. Page 5.

The case will be argued before the Supreme Court justices on April 27. U.S. District Judge Thomas Hogan invalidated the line-item veto law two weeks ago, a blow to what President Bill Clinton and the Republican-led Congress consider a key to fighting wasteful "pork-barrel" projects.

In 1996, Congress made Mr. Clinton the first U.S. president with such authority, which last year he used 82 times.

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The Internet on-line www.int.com



Chris Patten takes a negative view of human rights in China in his book.



## Russia, China and France Try to Avert Anti-Iraq Vote

Compiled by Our Staff From Dispatches

UNITED NATIONS, New York — Russia, China and France moved Friday to head off any Security Council action authorizing automatic use of force if Iraq violates an agreement to open presidential palaces to UN arms inspectors.

Britain and the United States were pressing other permanent members of the Security Council on Friday to back such a resolution, which would warn Iraq that any violation would have the "severest consequences."

The British initiative, co-sponsored by Japan, warned Iraq of such consequences if it violated the agreement, which was signed by Secretary-General Kofi Annan and the Iraqi deputy prime minister, Tariq Aziz, on Monday in Baghdad.

Britain's chief UN delegate, John Weston, said he was confident of winning council support. He said he did not think there was "any division within this building about diplomacy backed with firmness achieving more than diplomacy alone."

The chief U.S. delegate, Bill Richardson, said the goal of the resolution was "to send an unmistakable signal to Iraq that it must comply with the agreement to open up all the sites or it will face serious, serious consequences."

But the council meeting ended two-and-a-half hours later with no agreement on final language of the resolution.

Mr. Weston implicitly admitted that the council would likely not approve the initiative until next week, saying he was "considering whether to invite my colleagues to sit over the weekend for that purpose."

Diplomats said Russia, France and China were working to soften the British document. The sources said the three were lobbying with the council's 10 nonpermanent members against any language that might open the door to an automatic use of force by the United States and Britain.

Instead, the three wanted language to ensure that the full council would determine if

Iraq had violated the agreement and, if so, what response would be appropriate.

This would mean that even if the United States and Britain believed the agreement had been violated, the final determination would rest with the full council.

The council would have to decide separately whether the violation merited use of force. That would mean any of the three dissenters could veto use of force. Any of the five permanent members can veto a resolution.

On Thursday night, Mr. Annan canceled a trip to Washington planned for Monday, ostensibly to remain close to UN headquarters while the council does its work.

Russia and France say the British resolution is a "cover for future military strikes," a diplomat said. And "China believes that there is no need for a resolution," said Chen Ranfeng, a spokesman for Beijing.

Mr. Annan has defended the agreement he struck with President Saddam Hussein in Baghdad. Republicans in the U.S. Congress have criticized it, with Senator Jesse Helms, Republican of North Carolina and chairman of the Foreign Relations Committee, saying Thursday that Mr. Annan "gave away the store."

Mr. Annan said the alternative to the agreement would have ended UN inspectors' work. "The memo of understanding has strengthened it," he said in a letter thanking UN colleagues for their support. "It is the council, not a few critics, who will have the last word."

The inspectors have been working to certify that Iraq has eliminated all its weapons of mass destruction before the Security Council will lift economic sanctions imposed after Iraq invaded Kuwait, sparking the 1991 Gulf War.

The UN's chief weapons inspector, Richard Butler, rejected speculation that his authority would be undermined by the deal, which calls for diplomats to accompany inspectors on their visits to sensitive sites. He said his UN Special Commission would remain in charge of the inspections and the scientific analysis. (AP, AFP)

## Palestinian Census Stirs an Argument

By Joel Greenberg  
New York Times Service

JERUSALEM — Results of the first Palestinian census have been announced, showing 2.9 million Palestinians in the West Bank, the Gaza Strip and East Jerusalem.

The figure published by the Palestinian Central Bureau of Statistics, a branch of the Palestinian Authority, was significantly higher than previous Israeli estimates of about 1.8 million Palestinians in the West Bank and Gaza Strip and an additional 180,000 in East Jerusalem.

The last census in the West Bank and Gaza Strip was conducted by Israel after it captured the areas in the 1967 Arab-Israeli war, and since then population estimates for those areas have been a point of political contention between Israel and the Palestinians.

The Palestinians have accused Israel of under-reporting their numbers for political reasons, while an Israeli spokesman asserted Thursday that the Palestinian census figures

were inflated to serve the aims of the authority.

Hassan Abu Libdeh, head of the Palestinian statistics bureau, described the census, the first since the start of Palestinian self-rule in 1994, as a national milestone.

"Official Palestinian statistics have been born, and Palestine is now liberated informationally," he said Thursday at a news conference in the West Bank town of Ramallah. "An independent Palestinian state has been established, at least in the field of statistics."

But Sholomo Dror, spokesman for the Israeli Defense Ministry, said the Palestinian data were faulty and included people who lived abroad. "The figures are inaccurate by any standard, and we don't take them seriously," he said.

The Palestinian census counts 2,920,454 Palestinians in the West Bank, Gaza Strip and East Jerusalem. There was no breakdown for the West Bank and Gaza Strip, but the census showed 210,209 Palestinians in East Jerusalem, about 30,000 more than the Israeli estimate.

### BRIEFLY



Medical students demonstrating Friday following a ban by Istanbul University on Islamic attire.

### Islamists in Turkey Protest

ISTANBUL — Up to 10,000 Turkish Islamists demonstrated Friday against a ban on Islamic attire in the largest of recent street protests that have put pressure on the government of Prime Minister Mesut Yilmaz.

"Muslims won't bow down to repression," students chanted as they marched through streets near Istanbul University. It was the fourth protest this week against the university's ban on female students wearing Islamic headscarves and male students having beards, seen as a sign of Muslim piety.

The protests have grown despite a decision by the university to suspend the ban. The marchers later dispersed peacefully, calling for all students to join a general university boycott from Monday. (Reuters)

### Sinn Fein Ban 'Not Enough'

LONDON — Northern Ireland's largest unionist party urged Britain on Friday to extend the suspension from the peace talks to Sinn Fein, the IRA's political wing, beyond March 9.

"I made clear our opposition to an early return for Sinn Fein," David Trimble, leader of the Ulster Unionist Party, said after talks with Prime Minister Tony Blair.

Last Friday, British and Irish governments suspended Sinn Fein from the talks after Northern Ireland police said the IRA was involved in two recent shootings in the province. The IRA and Sinn Fein are committed to ending Northern Ireland's British rule.

Mr. Trimble told reporters to expect his pro-British party to take action if Sinn Fein returned on March 9 as scheduled, but he stopped short of saying Ulster Unionist negotiators would walk out. (Reuters)

### Author on Holocaust Is Fined

PARIS — A Paris court fined Roger Garaudy, a French philosopher, 120,000 francs on Friday for questioning the Holocaust in his book "The Founding Myths of Israeli Politics."

Mr. Garaudy, 84, a convert to Islam who has become a hero for many Arab intellectuals, was fined 80,000 francs (about \$13,000) on a charge of denying crimes against humanity.

He was fined another 40,000 francs on a charge of racist defamation for accusing a Jewish lobby of controlling western media.

Mr. Garaudy argued at his trial last month that he was only calling for a historical and scientific review of Nazi crimes. But the chief judge, Jean-Yves Monfort, said the 1995 book "outspokenly and systematically" dispensed "the Holocaust."

The court cleared Mr. Garaudy of a charge of inciting racial hatred. His publisher, Pierre Guillaumet, head of the Vieille Taupe publishing house, was cleared of all charges.

Mr. Garaudy, who was not in court when the verdict was read out, has denied any wrongdoing. (Reuters)

### St. Petersburg to Bury Czar

MOSCOW — The government decided Friday that the remains of Russia's last czar and his family would be buried in the former imperial capital, St. Petersburg, on July 17, 80 years after their murder by Bolsheviks.

First Deputy Prime Minister Boris Nemtsov told a news conference the decision to bury the bones of Czar Nicholas II, his empress Alexandra and their children in the Peter and Paul Cathedral was taken unanimously at a special three-hour government meeting.

The Peter and Paul, or Petropavlovsky, Cathedral has been the resting place of Russian emperors since Peter the Great, who founded the Baltic city and died there in 1725.

Debates about the burial of the remains, found in 1991 near Yekaterinburg where the imperial family was killed, have been marred by doubts about their authenticity. Bitter rivalry between local authorities in Moscow, St. Petersburg and Yekaterinburg for the right to bury the family had also complicated the problem. (Reuters)

## Israel Tells Switzerland It Regrets Spy Incident

The Associated Press

JERUSALEM — Israel apologized to Switzerland on Friday for Mossad's bungled bugging in the Swiss capital, possibly of an Islamic militant, moving to put the embarrassing affair behind it.

Israel regretted any trouble the incident had caused the Swiss government, the director-general of the Israeli Foreign Ministry, Eitan Ben-Tsur, said in a letter to the Swiss president and foreign minister, Flavio Cotti.

Apparently in an attempt to justify the operation, Mr. Ben-Tsur also noted that terrorism posed a threat to Israel's security and to Middle East stability.

The Swiss Foreign Ministry said the apology — which had been demanded by the Swiss — was received Friday afternoon.

In the botched spying operation, five Mossad agents were caught last week trying to hug a small apartment block in the Bern suburb of Liebefeld.

The building has two tenants with Arab names. But there was no official confirmation of Mossad's target. Swiss and Israeli media speculated that Mossad believed an Islamic militant — either a member of the Iranian-backed Hezbollah group or the radical Palestinian Hamas movement — was at work.

Swiss authorities said they caught five suspects equipped with surveillance gear after a woman alerted the police. One of the five, an Israeli, was arrested. Israeli political sources have said efforts were under way to obtain his swift trial and expulsion.

The mission further tarnished the already battered image of Mossad following a bungled assassination attempt against a Palestinian Islamic militant in Jordan last September.

In Bern, Mr. Cotti gave a muted welcome to Israel's apology but said he would decide later whether to go ahead with a planned visit to the country.

### Tehran Judge Criticizes Bern

Iran's top judge criticized Switzerland on Friday for its handling of the Mossad case, saying an apparent attempt to cover it up had tarnished Bern's image, Reuters reported from Tehran.

Ayatollah Mohammed Yazdi also repeated allegations by Iran's state media that the botched hugging attempt in Switzerland targeted Iranian diplomats. Switzerland has denied that the case involved Iran.

Tehran radio said that the Iranian ambassador in Bern had met Swiss Foreign Ministry officials Thursday to ask for clarifications about the case and to express concern over the security of Iran's diplomatic status in Switzerland.

### Correction

A Reuters dispatch in Wednesday's editions neglected to report that Cable News Network Inc. already operates a non-English-language television channel, CNN Espanol. In addition, the expansion of CNN's German broadcasts is not a move toward creating a German channel, the company said.

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DENMARK	DKK	750	350	53%
FINLAND	FIM	624	310	50%
FRANCE	FF	520	210	60%
GERMANY	DEM	42	22	48%
GREAT BRITAIN	£	27	12	56%
HONG KONG	HK\$	32	12	63%
ITALY	ITL	143.500	58.000	60%
JAPAN	¥	26.000	12.500	52%
MALAYSIA	RM	832	390	53%
NETHERLANDS	FLG	105	75	29%
NORWAY	NOK	832	390	53%
SINGAPORE	S\$	121	52	57%
SPAIN	PTAS	11.700	5.000	57%
SWEDEN	SEK	332	150	54%
SWITZERLAND	CHF	166	65	61%
USA	\$	72	43	40%

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### TRAVEL UPDATE

#### Fighting for EU Duty-Free Sales

CAPE TOWN (Reuters) — Only Denmark and the Netherlands still want to go ahead with plans to abolish duty-free sales within the 15-nation European Union, the Airports Council International said Friday.

"Duty free is a win-win situation and we are fighting very strongly for it," Jean Fleury, council chairman and president of the Paris Airports Authority, said after a board meeting in Cape Town.

Airports and ferry operators are waging a campaign to oppose scrapping duty-free sales, a move decided by EU finance ministers in 1992. Duty-free sales will continue to exist for people leaving the EU.

Dublin's most famous thoroughfare, O'Connell Street, will get a 40 million punt (\$56 million) face-lift. Under the plan announced Friday, the street will have single-lane traffic in both directions, widened footpaths and trees. (AFP)

British Airways and Finnair concluded a code-sharing agreement on 15 flights daily from London's Heathrow Airport to Scandinavian destinations that will take effect in March. (AP)

Higher fees in U.S. national parks have not stemmed the flow of visitors, with four of every five saying they are willing to pay the additional money or even more, the Interior Department said. (AP)

### WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.

Europe				Asia			
City	Today	High	Low	City	Today	High	Low
Algeria	10/15	10/15	6/8	Algeria	10/15	10/15	6/8
Amsterdam	4/8	4/8	2/7	Amsterdam	4/8	4/8	2/7
Athens	14/17	14/17	10/5	Athens	14/17	14/17	10/5
Bangkok	18/24	18/24	14/10	Bangkok	18/24	18/24	14/10
Beijing	12/18	12/18	8/4	Beijing	12/18	12/18	8/4
Bombay	21/28	21/28	17/13	Bombay	21/28	21/28	17/13
Buenos Aires	12/18	12/18	8/4	Buenos Aires	12/18	12/18	8/4
Calcutta	22/28	22/28	18/14	Calcutta	22/28	22/28	18/14
Chong Mai	27/34	27/34	23/19	Chong Mai	27/34	27/34	23/19
Colombo	21/28	21/28	17/13	Colombo	21/28	21/28	17/13
Dhaka	22/28	22/28	18/14	Dhaka	22/28	22/28	18/14
Hanoi	18/24	18/24	14/10	Hanoi	18/24	18/24	14/10
Harbin	12/18	12/18	8/4	Harbin	12/18	12/18	8/4
Ho Chi Minh	27/34	27/34	23/19	Ho Chi Minh	27/34	27/34	23/19
Hong Kong	27/34	27/34	23/19	Hong Kong	27/34	27/34	23/19
Ising Yung	18/24	18/24	14/10	Ising Yung	18/24	18/24	14/10
Kuala Lumpur	27/34	27/34	23/19	Kuala Lumpur	27/34	27/34	23/19
London	12/18	12/18	8/4	London	12/18	12/18	8/4
Los Angeles	12/18	12/18	8/4	Los Angeles	12/18	12/18	8/4
Manila	27/34	27/34	23/19	Manila	27/34	27/34	23/19
Moscow	12/18	12/18	8/4	Moscow	12/18	12/18	8/4
Mumbai	21/28	21/28	17/13	Mumbai	21/28	21/28	17/13
Nairobi	27/34	27/34	23/19	Nairobi	27/34	27/34	23/19
Paris	12/18	12/18	8/4	Paris	12/18	12/18	8/4
Peking	12/18	12/18	8/4	Peking	12/18	12/18	8/4
Rangoon	27/34	27/34	23/19	Rangoon	27/34	27/34	23/19
San Francisco	12/18	12/18	8/4	San Francisco	12/18	12/18	8/4
Seoul	12/18	12/18	8/4	Seoul	12/18	12/18	8/4
Singapore	27/34	27/34	23/19	Singapore	27/34	27/34	23/19
Taipei	27/34	27/34	23/19	Taipei	27/34	27/34	23/19
Tokyo	12/18	12/18	8/4	Tokyo	12/18	12/18	8/4
Yokohama	12/18	12/18	8/4	Yokohama	12/18	12/18	8/4

Legend: sunny, partly cloudy, c, cloudy, sh, showers, r, rain, dr, drizzle, snow, fl, snow flurries, sn-snow, H, W, W-snow.

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## Israel Tells Switzerland It Regrets Spy Incident

The Swiss government has expressed its regret over a spying incident in Israel, according to a statement from the Swiss Foreign Ministry.

Israel regretted any trouble that had caused the Swiss government, the director-general of the Foreign Ministry, Eitan Ben-Zion, said in a letter to the Swiss Foreign Minister, Flavio Comi.

Apparently in an attempt to prevent a similar incident, Ben-Zion also mentioned a threat to Israel's security and to Middle East peace.

The Swiss Foreign Ministry said that the incident had been caused by a mistake on the part of the Swiss intelligence service.

Swiss authorities said the five suspects were equipped with a device that allowed them to intercept and record communications.

The device was found in the possession of the suspects, who were arrested in Israel.

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# Industry and Law Enforcers Face Off on High-Tech Prying

## Silicon Valley Fights Encryption Law

By John Markoff  
New York Times Service

SAN FRANCISCO—President Bill Clinton described the economic impact of the Internet in glowing terms to an audience of technology investors here last week, but he did not touch on the issue that increasingly appears to matter most to Silicon Valley: the fiery debate over the administration's policy on data scrambling.

The administration has endeavored itself to the nation's high-technology center by cutting capital gains taxes and calling Thursday for a bill that would bar state and local governments from enacting taxes on the Internet until 2004. But encryption may undermine its friendly relationship with Silicon Valley.

The debate over encryption—which has pitted industry and civil liberties groups against law enforcement and intelligence agencies—has sharpened in recent weeks. Legislation that would restrict the use of encryption is about to be introduced on Capitol Hill.

Intense behind-the-scenes negotiations over a compromise solution be-

tween the administration and a small group of high-tech executives suggests that no simple resolution is in sight.

Encryption policy has become a flash point because it is both essential for the growth of Internet commerce and vital for the protection of privacy in the information age. Techniques that use mathematical formulas permit computers to scramble data so they cannot be read without access to a special "key."

Usually a large number that permits a user to unscramble the information, law enforcement officials want to force users to put such keys in escrow with independent authorities to allow for electronic surveillance in criminal investigations.

Silicon Valley executives argue that the demand for the continued ability to wiretap in the information age is wishful thinking at best. The easy availability of powerful encryption software, they say, has quickly made it possible for any two people, anywhere in the world to hold a secret conversation that is beyond the prying ability of even the most powerful code-breaking computer.

Mr. Clinton has told Silicon Valley executives in private meetings that he is

sympathetic with their viewpoint but that he is under great pressure from law enforcement and national security officials to put even greater controls in place on encryption technology.

"To us this is really important, but it's just an irritant to him," said a Silicon Valley executive who met with the president before his speech Thursday.

"His basic message to us was, 'Can we get this thing done?'"

Senators John McCain, Republican of Arizona, and John Kerry, Democrat of Massachusetts, are circulating a revised version of their encryption bill. It includes several changes in response to industry and privacy concerns but nevertheless has so far won few adherents outside of the law enforcement community. Critics say the legislation is simply a placeholder for future laws that would restrict the use of the technology.

Heaven Packard Co. has developed a set of encryption technologies, with endorsements from the Department of Commerce, that are intended to let individual governments establish potentially conflicting encryption policies.

The White House is considering several other industry proposals, as it is intent on finding a compromise between industry and law enforcement interests.

## Reno Threatens Suit To Allow Wiretaps

By Roberto Suro  
Los Angeles Times Service

WASHINGTON—Attorney General Janet Reno has threatened a legal battle with the telecommunications industry to ensure that law enforcement can conduct electronic surveillance in the digital age.

Ms. Reno said that after nearly three years of negotiations, the Justice Department had reached an impasse with industry representatives over what kinds of modifications to communications technology were necessary to ensure wiretapping abilities and whether the government or industry would pay for them.

Unless the deadlock can be broken, Ms. Reno said, the department will ask the Federal Communications Commission on March 15 to set new standards for all telephone networks so that local, state and federal law enforcement agencies have the wiretapping capabilities they feel are necessary for the successful surveillance and prosecution of criminals.

"Unfortunately, if we are pressed to

take this step, we will avail ourselves of all lawful mechanisms available," said Ms. Reno in an unusually combative statement during a hearing by a House Appropriations subcommittee. Justice Department and industry officials said the matter could end up in court if no negotiated agreement were possible.

Representative Harold Rogers, Republican of Kentucky, who chaired the hearing, asked Ms. Reno to press the case with the FCC, telling her, "I'll buy your car fare down there to file the papers."

Ms. Reno and the FBI director, Louis Freeh, have repeatedly argued that keeping up with the rapid evolution of communications technology is one of the most fundamental challenges facing law enforcement. Asked Thursday whether the Justice Department would face limits on its ability to conduct electronic surveillance unless industry made changes, Ms. Reno responded, "I think we're there."

While old-style copper wire telephone systems were simple to tap into, the FBI and other agencies now find themselves contending with communications systems that are increasingly digital and wireless. Telephones can also be used to transmit everything from ordinary conversations to text to pages.

## Liver Transplants At Center of Battle

WASHINGTON—The Clinton administration says it intends to revamp the nation's system for allocating livers to people awaiting transplants so that patients most seriously in need of the organs will have priority over those less sick.

The statement by Health and Human Services Secretary Donna Shalala in a letter to members of Congress was the clearest signal yet of how the government intends to resolve one of the most contentious medical and economic dilemmas in organ transplants: how to decide who should receive the relatively few organs donated each year.

It also may set the stage for a legal battle between the Health and Human Services Department and the United Network for Organ Sharing, the Richmond-based organization that holds the federal contract for coordinating the nation's transplant network. The organization has argued that the government lacks the legal authority to dictate the rules of organ allocation, which the group says should remain in the hands of the "transplant community."

Under the current system, instituted in 1991, livers for transplant are made available first to patients within a local region, even if they are not as critically ill as patients elsewhere.

(WP)

## Campaign Finance: Die-Hard Habits

By Jill Abramson  
New York Times Service

WASHINGTON—By day, lawmakers spent most of this week debating legislation that would have significantly curbed campaign spending. By night, they chased ever more campaign money, not pausing to mourn the failure of another effort to overhaul the nation's campaign finance system.

On the Senate floor, various lawmakers decried the unseemly race for campaign cash as they considered the McCain-Feingold bill and then walked outside to attend the usual slew of fund-raising receptions.

Despite all the attention paid to financing scandals in the past year, lawmakers and lobbyists find themselves beholden to a frenetic fund-raising schedule that stacks one event on top of another.

Tuesday night was no different. After the Senate majority leader, Trent Lott, executed a parliamentary maneuver that effectively doomed the legislation, he dealt another blow to the bill's Democratic co-sponsor, Senator Russell Feingold of Wisconsin.

The Mississippi Republican trotted over to La Colline, a fancy restaurant just steps from the Senate, where back-to-back fund-raising receptions are often held on nights when Congress is in session.

There, Mr. Lott, along with eight other Republican senators and Governor Tommy Thompson of Wisconsin, headlined a \$1,000-per-person fund-raiser for Mr. Feingold's likely Republican opponent in the 1998 Senate contest, Representative Mark Neumann.

On Wednesday, as the bill's death rattle intensified, President Bill Clinton, a McCain-Feingold backer, was feined at two fund-raisers in

San Francisco and collected \$500,000 for Democratic House candidates.

At the home of Bill Hambrecht, the wealthy founder of the investment firm Hambrecht & Quist, the president rubbed shoulders with guests who paid \$10,000 a person to dine with him.

And Thursday night, after the McCain-Feingold bill was pronounced dead, lawmakers and lobbyists repaired to the restaurants and clubs that rim the Capitol for their usual fund-raising bill of fare.

Even with the worst campaign-finance scandal since Watergate and a yearlong investigation into fund-raising excesses in the 1996 elections, Senate backers of the McCain-Feingold bill were unable to muster the 60 votes necessary to overcome Republican delaying tactics.

"We don't have a campaign-finance system any more. The loopholes are bigger than the laws," said Senator Fred Thompson, Republican of Tennessee.

Mr. Thompson, who led the Senate investigation into the 1996 campaign-finance imbroglio, was one of the few Republicans who favored the measure, which was supported by 45 Senate Democrats and seven Republicans.

Although many contributors and fund-raisers agree with Mr. Thompson that the current campaign-finance system is disreputable, it works to the advantage of congressional incumbents, who enjoy a huge edge over challengers. Incumbents attract the attention of lobbyists and donors who contribute primarily to promote or protect their legislative interests.

Thus, every effort to overhaul the system since the late 1970s has gone down to defeat, as the amount of money raised in each election cycle has gone through the roof.



FINAL ECLIPSE—President Ernesto Samper of Colombia peering at a solar eclipse in Bogotá. The eclipse is the last to be seen in South America this century.

## A Question of 'Public Importance'

News Organizations Demand Open Hearings on Executive Privilege

New York Times Service

WASHINGTON—Five news organizations have filed a motion in U.S. District Court here, seeking to make public arguments between the White House and the Office of the Independent Counsel over the use of executive privilege.

The issue of whether high-ranking White House staff members could be compelled to answer all questions posed by prosecutors arose last week when President Bill Clinton's closest adviser, Bruce Lindsey, appeared before the federal grand jury that is hearing testimony about an alleged relationship between the president and Monica Lewinsky, a former White House intern.

After a day of questioning, White House lawyers and Mr. Lindsey appeared the next day before Judge Norma Holloway Johnson to negotiate the terms of any subsequent testimony by Mr. Lindsey and other White House

officials about the Lewinsky matter. As part of the grand jury proceedings, those arguments were held in secret so it is unclear how or if they had been resolved.

But in their motion, the news organizations—ABC, CBS, NBC, The New York Times and The Washington Post—argued that because the dispute "concerns issues of immediate and enduring public importance," any negotiations should be conducted openly.

"These issues go to the heart of our constitutional structure," the motion said, referring to the independent counsel and the White House. "They exist independent of the substance of any particular grand jury investigation and will endure long after the present controversy subsides. They should not be debated in their entirety behind closed doors."

Both the White House and a spokeswoman for Kenneth Starr, the independent counsel, declined to comment.

## Einstein's Error?

His Rejected Theory May Unravel Secrets Of Expanding Universe, Astronomers Say

By K.C. Cole  
Los Angeles Times Service

LOS ANGELES—In what may be a major insight into the nature of space, astronomers have discovered evidence that the universe is expanding rapidly under pressure of an anti-gravity-like force first proposed by Albert Einstein.

While Einstein later called his proposal the worst blunder of his life, his idea has resurfaced over the past decade as a way to solve a host of cosmological conundrums, including a suggestion that the universe was younger than some of its stars.

"This is the first believable direct evidence that there might be" such a repulsive force, said Rocky Kolb, an astrophysicist, of Fermi National Accelerator Laboratory in Illinois. He said that it might have been a blunder for Einstein to think it was a blunder.

The discovery was made by an international group of astronomers who looked at exploding stars, or supernovas, that appeared to be hurtling away from each other at surprisingly rapid rates.

Astronomers know that the universe has continued to expand since its explosive birth in the so-called Big Bang. But it was thought that the mutual gravitational attraction of all the matter and energy in the universe would slow the expansion down.

These supernovas appeared to be so far away that they implied that the expansion of the universe was speeding up, rather than slowing down.

"Our observations show that the universe is expanding faster today than yesterday," said Adam Riess, an astronomer at University of California at Berkeley, and one of the scientists who presented the findings at a meeting at the University of California at Los Angeles last week. His team proposed the reason might be Einstein's long-abandoned repulsive force.

Anti-gravity it was not, however. If gravity caused two planets to attract each other, anti-gravity would cause them to repel each other.

The repulsive force, however, was the property of empty space itself. "There's energy in the vacuum of space, and that energy wants to stretch that vacuum," Mr. Riess said. In other words, the repulsive force did not cause the planets to push away from each other. Rather, it caused the space between them to expand.

(NYT)

## Republicans Want Citizenship Check

WASHINGTON—Saying they are rankled by their inability to detect and stamp out voter fraud, Republican House leaders plan to push legislation next month that would toughen voter registration by requiring some sort of check on a person's citizenship.

The effort comes two weeks after a House committee concluded that a contested California election, which a Democrat won, was marred by the votes of noncitizens. But Republicans were unable to find enough evidence of voter fraud to overturn the election. They argued that was largely because it was difficult to pinpoint a voter's citizenship status.

By seizing on the issue of citizenship in voting, Republican leaders hope to bait Democrats into a debate that would portray them as beholden to an electoral system riddled with fraud, Republican pollsters say.

(NYT)

## Quote/Unquote

James Carville, former political consultant for President Bill Clinton and a leading critic of the special prosecutor Kenneth Starr, on his envy of the subpoena given Sidney Blumenthal, a White House aide: "I'm dying for it. I'm just so jealous of Sidney. I don't know where to turn. How come Sidney got this? He's having the time of his life. I have a terrible case. I fantasize about them coming to my office and carting the boxes away." (WP)

## Away From Politics

Federal authorities have uncovered physical evidence that links the fatal bombing at the 1996 Summer Olympics in Atlanta with bomb attacks at abortion clinics in the Atlanta area in January 1997 and in Birmingham, Alabama, last month, law enforcement officials said. Investigators have concluded that steel plates built into the Olympic bomb matched the metal plates in two bombs planted at an abortion clinic in the Atlanta suburb of Sandy Springs.

Frederic Whitehurst, the whistleblower who triggered an overhaul of the FBI's crime lab, has left the bureau with a settlement of \$1.16 million. Mr. Whitehurst resigned in a deal that also settled his charges that the bureau retaliated against him for pointing out the lab's failings.

A federal grand jury indicted a former Olympic bicyclist and three others in a scheme to smuggle hundreds of people from the Midwest through Latin America and the Caribbean and then on to Mexico, where they crossed the Rio Grande to their ultimate destinations.

Twenty-two bicyclists were killed in accidents with cars last year in New York City, the highest number in a decade, according to figures from the city's Department of Transportation.

## RELIGIOUS SERVICES

<p><b>AMSTERDAM</b> CROSSROADS INTERNATIONAL CHURCH Interdenominational &amp; Evangelical Sunday Service 10:00 a.m. &amp; 11:30 a.m. Kijk in de Veluwe, De Cusserstraat 3, S. Amsterdam, Info: 020-641 6812 or 020-641 685.</p> <p><b>FRANCE/TOULOUSE</b> HOPE INTERNATIONAL CHURCH (Evangelical), 4, bd de Pibrac, Colmar, Sunday service 6:30 p.m. Tel: 05 82 74 11 65.</p> <p><b>FRENCH RIVIERA/CÔTE D'AZUR</b> NICE: Holy Trinity (Anglican), 11 rue Basse, Sun, 11 a.m. VENICE: St. Mark's, 22, St. Mark's, 9 a.m. Tel: 33 02 53 87 79 83.</p> <p><b>FRANKFURT</b> English Speaking International Catholic Parish, St. Leonhard, Alte Mainzer Gasse 9, 60311 Frankfurt, Germany, Tel/Fax: 069-283177, Mass schedule: Saturday 5 p.m., Sunday 10 a.m. Concelebrations: 10:10 before Mass.</p> <p><b>ORENBERG/OSHERSTEDTEN</b> ST. MARY'S CATHOLIC CHURCH (English Speaking) St. Petrus Canisius (Kreisel), Am Alten Bach 2, Orenberg/Großentersdorf, Mass Sun, 11:00, Pastor Fr. Grottel 069 7191 14 30 or Church Office 06171 229 83.</p> <p><b>PARIS and SUBURBS</b> EMMANUEL BAPTIST CHURCH - 56, rue des Bons-Enfants, 92500 Neuilly-Malmaison. Worship: 9:45, 11:00 a.m. Sunday School. For info Tel: 01 47 51 29 63/01 47 48 15 29 or: http://www.godbas.com/Pars/Met/1352.</p> <p><b>HOPE INTERNATIONAL CHURCH</b> Hotel Cote de Pibrac-Defense, 8 bd de Neuilly, Worship Sundays: 10:00 a.m. Rev. Dr. Rottschäfer, Pastor, Tel: 01 43 33 04 08 Metro 1 to la Defense Esplanade.</p> <p><b>SAINT JOSEPH'S CHURCH (Roman Catholic, MASS IN ENGLISH) St. 630 p.m. Sun: 8:45 a.m., 11 a.m., 12:15 p.m., 6:30 p.m. 50, avenue Moltke, Paris 16th. Tel: 01 42 27 28 56. Metro: Charles de Gaulle - Bois.</b></p> <p><b>ZURICH-SWITZERLAND</b> ENGLISH-SPEAKING CATHOLIC MISSION: St. Anton Church, Minervastrasse 63 Sunday Mass: 8:30 a.m. &amp; 11:30 a.m. Services held in the crypt of St. Anton Church.</p>	<p><b>THE EPISCOPAL CHURCHES OF EUROPE (Anglican)</b></p> <p><b>PARIS and SUBURBS</b> THE AMERICAN CATHEDRAL OF THE HOLY TRINITY, Sun, 9 &amp; 11 a.m., 10:45 a.m. Sunday School for children and Nursery care, Third Sunday 5 p.m. Evening, 23, avenue George V, Paris 75008, Tel: 33-01 53 23 84 00. Metro: George V or Alma Marceau.</p> <p><b>FLORENCE</b> ST. JAMES' CHURCH, Sun, 9 a.m. Prie 11 &amp; 11 a.m. Prie II, Via Bernardo Rosselli 9, 50123, Florence, Italy Tel: 3955 29 44 17.</p> <p><b>FRANKFURT</b> CHURCH OF CHRIST THE KING (Episcopal/Anglican) Sun, Holy Communion 9 &amp; 11 a.m. Sunday School and Nursery 10:45 a.m. St. Paulus Platz 22, 60202 Frankfurt, Germany, Tel: 49-69 64 81 65.</p> <p><b>GENEVA</b> EMMANUEL CHURCH, 12 &amp; 3rd Sun. 10 a.m. Eucharist 2nd &amp; 4th Sun. Morning Prayer, 3 rue de Montreux, 1201 Geneva, Switzerland, Tel: 41 22 732 80 76.</p> <p><b>MUNICH</b> THE CHURCH OF THE ASCENSION, Sun, 11:45 a.m. Holy Eucharist and Sunday School, Nursery Care provided. Seyboldstrasse 4, 81545 Munich (Hertelstr.), Germany, Tel: 49-89 64 81 65.</p> <p><b>ROME</b> ST. PAUL'S WITHIN THE WALLS, Sun, 8:30 a.m. Holy Eucharist Prie I 10:30 a.m. Choral Eucharist Prie II: 10:30 a.m. Choral Eucharist Prie III: 10:30 a.m. Choral Eucharist Prie IV: 10:30 a.m. Choral Eucharist Prie V: 10:30 a.m. Choral Eucharist Prie VI: 10:30 a.m. Choral Eucharist Prie VII: 10:30 a.m. Choral Eucharist Prie VIII: 10:30 a.m. Choral Eucharist Prie IX: 10:30 a.m. Choral Eucharist Prie X: 10:30 a.m. Choral Eucharist Prie XI: 10:30 a.m. Choral Eucharist Prie XII: 10:30 a.m. Choral Eucharist Prie XIII: 10:30 a.m. Choral Eucharist Prie XIV: 10:30 a.m. Choral Eucharist Prie XV: 10:30 a.m. Choral Eucharist Prie XVI: 10:30 a.m. Choral Eucharist Prie XVII: 10:30 a.m. Choral Eucharist Prie XVIII: 10:30 a.m. Choral Eucharist Prie XIX: 10:30 a.m. Choral Eucharist Prie XX: 10:30 a.m. Choral Eucharist Prie XXI: 10:30 a.m. Choral Eucharist Prie XXII: 10:30 a.m. Choral Eucharist Prie XXIII: 10:30 a.m. Choral Eucharist Prie XXIV: 10:30 a.m. Choral Eucharist Prie XXV: 10:30 a.m. Choral Eucharist 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# Angola's 'Peace' Could Lead to War

## Savimbi's Forces Resist Government's Agreed Takeover of Towns

By Lynne Duke  
Washington Post Staff Writer

**HUAMBO, Angola** — A veritable museum of destruction, Huambo's bomb-cratered streets, bullet-splattered houses and blasted high-rise buildings are constant reminders of war's ubiquitous menace.

But one need not look to ruins of past battles to know that menace still stalks Huambo. Here in the central highlands region and elsewhere in battle-ravaged Angola, there are increasingly frequent reports of bridges blown up or new land mines laid or planes flying in weapons or crackdowns by government forces or ambushes on the roads or rebel forces mauling.

Technically, Angola is at peace. But, like war, it can be hell.

"I get very upset," said Alfredo de Deus Sacotango, 23, a teacher wounded in the 1994 siege of Huambo. "We are young boys, and we would be forced to take part in armed force. Our future will be threatened."

Mr. Sacotango's fear also plagues the government, the United Nations and other international mediators. It is that as Angola's 39-month-old peace process struggles through a profoundly treacherous phase, tensions surrounding the dismantlement of the UNITA rebel movement eventually could boil over into renewed guerrilla conflict or prompt a government move to crush UNITA decisively.

At issue is whether the headquarters of the National Union for the Total Independence of Angola at Bailundo, as well as several other towns in a strategic buffer around it, will be handed over soon for government administration. Jonas Savimbi, the skillful tactician who once was a U.S. Cold War proxy and is among the world's longest-surviving rebel leaders, agreed in writing that such a handover would occur by Saturday.

But as UN observers and government officials have extended state administration to towns closer and closer to Bailundo, they have met increasing hostility — at the negotiating table and on

the ground. Diplomats say the handover will not occur this weekend.

UNITA justifies its delays, in part, by pointing to the hard line that government troops have taken in crackdowns on former UNITA towns, settling scores with old foes who then do the same in return.

"The degree of mistrust is tremendous here," said Behrooz Sadry, a UN assistant secretary-general who is supervising the Angolan peace process. "Perhaps we've tied one of their hands behind their back, but the other is still holding a knife."

The deadline, when agreed upon in January, was supposed to be the climax of the peace process that began with the November 1994 signing of the Lusaka accord after a government siege of Huambo forced UNITA to flee to Bailundo and negotiate for peace. With that document, UNITA and the government of President Jose Eduardo dos Santos agreed to end their 19-year war.

The United Nations dubbed it the "worst war in the world," especially the final two years, when Huambo and Kuito, to the east, and other interior towns were pummeled by repeated sieges. Hundreds of thousands of people were killed or maimed, mainly by land mines.

The country's economy and infrastructure were left so crippled that renewed combat would be a disaster. Amid deepening government corruption and the continued militarization of the national budget, not even the nation's tremendous oil wealth has rescued Angola from economic crisis.

Despite these high stakes, the peace process teeters on the brink of derailment as Mr. Savimbi faces his biggest hurdle: giving up his heartland or facing the consequences. The United Nations has lost patience and may soon pull out or impose new sanctions on UNITA, which has flouted the arms, travel and flight prohibitions already brought against it. The government wants the United Nations to leave, a source close to the peace process said, as hawks in the military are hristling to act.

In addition to giving up his strongholds, Mr. Savimbi also agreed to declare his movement demilitarized. This, too, has yet to happen. But when it does, the estimated 20,000 troops that UNITA is believed to be secretly keeping in the bush could become fair game for army attack.

Although negotiating maneuvers have not yet been exhausted and the United Nations continues to try to manage a volatile situation, the threat of eventual military action against UNITA looms large, say diplomats in the capital, Luanda.

"They have a signed UNITA commitment to take certain actions by February 28," said a source close to the peace process. "If they want to send troops into these places, they can send troops into these places."

UNITA hostility was evident in the region last week.

Two bridges were blown up near the UNITA-controlled town of Quirima, near Andulo, as it was to be handed over to the government. A UN helicopter inspecting the damage was hit by small-arms fire from an armored personnel carrier.

UNITA once controlled more than half of Angolan territory, most of it rural. Of 339 UNITA towns or villages slated to be handed over to the government, about 270 have been transferred. But low-grade conflicts have broken out in many of these places.

Despite the hostility in the bush, UNITA has complied with the Lusaka accord to the extent of sending some of its 70 politicians into the national Parliament and four into the cabinet, where a more moderate form of opposition is practiced in what is called a "unity" government.

Speaking of a world far away from the one in which he now operates, Abel Chivukuvuku, president of the UNITA bench in Parliament, said, "The problem is fear."

"UNITA people fear" that the ruling party will "never rest easy near UNITA," he said.



Prime Minister Romano Prodi, left, with Finance Minister Carlo Azeglio Ciampi, detailing Italy's data Friday.

## EMU: Europe's Common Fiscal Policy Shows as It Meets Terms

Continued from Page 1

monetary union, while Greece has conceded it will not make the grade until 2001 at the earliest.

The next step toward monetary union comes March 25, when the European Commission and the European Monetary Institute, the precursor of the EU's future central bank, will recommend which nations should be allowed to join in inaugurating the single currency. EU leaders are expected to endorse the choices at a summit meeting May 2-3.

Yet the hard-won achievements do not solve Europe's crisis in joblessness, which is on average twice as high as that of the United States. Nor do they mask big differences that separate Europe's fast-growing tigers from its richer but slower nations.

Even as European countries embrace similar strict fiscal and monetary policies, a fissure is widening between countries embracing greater flexibility and deregulation versus those strug-

gling to preserve the generous social protections and job guarantees they built up during the past several decades.

At one extreme is Ireland, long one of the poorest countries in Europe. By offering prospective employers well-educated workers at relatively low wages, as well as fewer regulations and abundant incentives for foreign investors, Ireland's economy has grown faster than that of any other European country. Spain is experiencing a similar economic renaissance, with growth soaring and inflation down to 2 percent.

At the other extreme are Germany and France, where growth has been tepid and joblessness has increased. Though economic growth finally began to accelerate last year, thanks to a decline in the value of their currencies that dramatically lifted exports, most economists predict that unemployment will fall little or not at all by the end of the year because high costs, high taxes and rigid regulations remain prohibitive. In general, economists say that Euro-

pean countries will be launching the euro under the best circumstances they could possibly have hoped for. Most predict that Europe will enjoy faster economic growth in 1998 than it has in years, even though the Asian financial crisis is expected to dampen exports.

### Nations Exceed Debt Ceiling

EU member states' debt figures paint a mixed picture, with only four countries meeting the Maastricht treaty's guideline for national gross debt of 60 percent of GDP, Reuters reported.

But the high debt is unlikely to stall monetary union as the treaty says countries can take part if their debt is approaching that level.

Italy, which along with Belgium is furthest from meeting this target, said its debt was at 121.6 percent of GDP last year. Germany's debt was at 61.3 percent, and Finance Minister Theo Waigel said the ratio would fall to 61.25 percent this year. France said its debt was below the 60 percent threshold.

## INDIA: 'Foreign' Sonia Gandhi Shakes Up Election Campaign

Continued from Page 1

During her campaign, Mrs. Gandhi has accomplished a transformation, both of herself and of Indian politics. In place of the reclusive widow she became after her husband's assassination in 1991, she has emerged as a credible though still reluctant candidate for prime minister, the post once held by her husband; her mother-in-law, Indira Gandhi; and her husband's grandfather, Jawaharlal Nehru.

Indians have been stunned. Even the fusty state broadcasting system, often partial to the Hindu nationalists, has led many of its evening television newscasts with reports on Mrs. Gandhi.

India Today, the country's most widely circulated news-magazine, devoted its cover and much else this week to "The Sonia Blitzkrieg," and compared her performance, perhaps inevitably, to that of a diva in an Italian opera.

"It is a spectacle from start to end," the magazine said, citing Mrs. Gandhi's "spaghetti English and accented Hindi," her "aggressive marketing" of the Nehru-Gandhi family's political legacy and, above all, her impact on the vast crowds that have gathered for her 140 campaign appearances, estimated to have totaled more than 15 million people. "Women cry unabashedly when she talks of her lonely existence, and others gawk at the 'white woman speaking Hindi,'" it said.

Even if the results, which are expected by Tuesday, show that the Hindu nationalists have won, or have taken

such a hold on Parliament as to make them unstoppable at the head of a new coalition government, many Indians say Mrs. Gandhi will have achieved something considered almost impossible — reviving the Congress Party after long years of shrinking support brought about by chronic corruption and crookedness.

Many Indians even say Congress may emerge as the leader of an alternative coalition formed by 15 or more parties united by their determination to block the Hindu nationalists. This would mark a watershed victory in a battle going back decades, to the era of Mohandas K. Gandhi, the independence leader, who

was unrelentingly opposed to the nationalists' hostility for the Muslim minority, now 120 million in a population of 980 million.

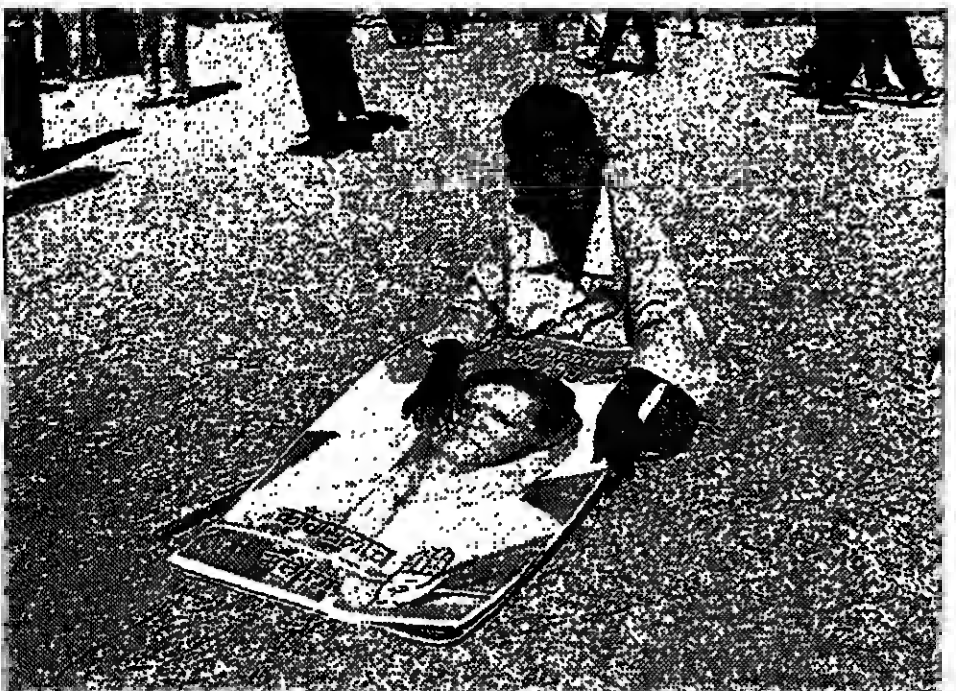
Most opinion polls now indicate that Congress will win 150 seats, perhaps as many as 175, in the 545-seat Parliament, at least 100 more than many politicians predicted before Mrs. Gandhi's campaign. On the other side, the Hindu nationalists have watched with growing apprehension as forecasts of their own seat count have receded, in some polls to as low as 210, including seats that may be won by their allies.

Initially the Hindu nationalists seemed perplexed by Mrs. Gandhi, paying her scant

attention. Then, as the polls showed the Congress Party's support picking up, men like Atal Bihari Vajpayee and Lal Krishna Advani, who would lead a Hindu nationalist government, became increasingly shrill, warning of the dangers of a "foreign hand" or a "Rome Raj."

Few doubted that this was code for Mrs. Gandhi's Roman Catholicism, a faith in which her son, Rahul, 27, and her daughter, Priyanka, 26, also grew up.

■ **4 Die in Explosions**  
At least four people died and 20 were wounded in three blasts in and around Bombay on Friday, Agence France-Press reported.



A Hindu boy in Bombay holding a poster of Sonia Gandhi as campaigning ended.

## U.K. to Waive Succession Rule: First Born to Be First to Reign

Compiled by Our Staff From Dispatches

**LONDON** — Queen Elizabeth II has decided that the crown should pass to the monarch's oldest child, male or female.

The ending of primogeniture, or succession through the male line, was announced to the House of Lords on Friday. It will not make any immediate difference: the first three people in line to succeed the queen are males — her son Prince Charles, and his sons Prince William and Prince Harry.

But if Prince Charles's line were to die out, one suggested version of the new rules would put Princess Anne, the queen's second child, her children and future descendants, ahead of her younger brothers, Andrew and Edward, and their heirs.

A bill that called for the end of primogeniture had been introduced by Lord Archer, better known as the novelist Jeffrey Archer. In light of the government's intentions, Lord Archer said he would withdraw his bill.

If women had had equal rights to succeed, Queen Victoria would have been succeeded by her daughter, Victoria, rather than her son Edward, who became Edward VII.

The queen had no brothers, so she automatically became the heir when her father took the throne.

Lord Williams said: "A major constitutional measure of this sort ought properly to be the subject of a government bill. We will be considering how best to carry this forward within government and in consultation with the Royal Family."

The new system will be much the same as in Sweden, where succession irrespective of sex has been the rule since 1979.

In Spain and Belgium, by contrast, all females are barred from the line.

(AP, Reuters)

## IRAQ: U.S. Standing Takes Hit in the Gulf

Continued from Page 1

America's friends are now asking questions as to how friendly are the Americans.

But not all analysts are so severe, and there are some in Israel who view such sentiments as a temporary and common wave of anti-Americanism that Arab leaders found it convenient to ride.

"I call it the 'free propaganda rider syndrome,'" said Mark Heller, a senior research fellow at the Jaffee Center, a foreign-policy group in Israel. "Basically you take a free ride on something that's happening anyway. They talk as if there was a golden age of cooperation in 1991, or in 1993, which was not the case. The difference is that Arab countries this time did not feel threatened by Saddam."

The fence-straddling could be further explained by the Arabs' uncertainty over whether the United States intended to topple Mr. Saddam. "They didn't want to commit themselves against Saddam unless they were certain that the United States would take him down," Mr. Heller said.

Whatever the sentiment on the street, the crisis did not change the reality that the United States is still the dominant power in the region and the primary guarantor of stability in the Gulf.

As one European diplomat noted, Gulf countries rely on the United States in one way or another to protect them from their powerful neighbors, Iran and Iraq.

"Willy-nilly, the Gulf countries have to admit that they have no option but the American security guarantee," the diplomat said.

Ultimately, most analysts seemed to agree that the key to Washington's standing is not in the Gulf, but in Israel.

"Nobody sees Iraq at this juncture as the main

threat to the Arab world," Mr. Sid Ahmed said. "This is totally different from 1991, when Saddam was seen as a real threat. Now there is nothing to compare between what Saddam is doing and Netanyahu's obstruction to the peace process."

However exaggerated the sentiment may be, with Iraq off center stage for now, the Israeli-Palestinian issue is certain to return and put Washington's standing to a quick test.

"Iraq just bought Netanyahu a time-out," Mr. Heller said. "The Israeli-Palestinian thing is the default option on any menu. Now that there is a sense that Iraq has gone away, the other one will come back up."

Specifically, there were reports in the Israeli press that the Clinton administration was poised to present a plan of its own to revive the peace talks.

According to Mr. Aviv, the plan calls on Israel to withdraw from 13.1 percent of territory controlled exclusively by Israel in the West Bank in three stages over three months. At the same time, an Israeli-Palestinian-Arabian committee is to be set up to monitor Palestinian compliance with their side of the agreement.

If the reports prove true, and the Clinton administration succeeds in reviving the Israeli-Palestinian peace effort, the sense is that such action would go a long way toward compensating for any loss of American stature over Iraq. By most accounts, the Palestinian issue, at least symbolically, remains the primary gauge of American credibility.

As one senior Western diplomat in an Arab country said, "American credibility in the region is lower than at any time I can remember it, and to restore it will take not just finding a way out with Iraq, but something tangible that benefits the Palestinians."

## COURT: Libya Wins Round Over Lockerbie Suspects' Extradition

Continued from Page 1

court has decided that it wishes to consider these complex issues in more detail at a full hearing.

Meanwhile, the UN resolutions stand: Libya must surrender those accused of the Lockerbie bombing for trial in Scotland or the United States.

An international lawyer familiar with

the case said that the ruling meant that the World Court would decide whether Libya had the right to try them or was obliged by the Security Council resolutions to surrender them to the United States or Britain.

"To that extent, it's a victory for Libya," the lawyer said.

But he added that the court could rule that the UN Charter requires Libya to comply with the Security Council resolutions. In 1992, the court, known formally as the International Court of Justice, declined to issue injunctions against the United States and Britain that Libya had sought to prevent them from imposing the sanctions against it in the Security Council.

France has charged six Libyans, including Colloef Gadhafi's brother in law, in connection with the bombing of a French airliner that killed 171 people over the Sahara in 1989, when Mr. Gadhafi was angry with Paris for resisting a Libyan invasion of Chad.

France will try those Libyan defendants in absentia this year.

### Ruling Upsets Victims' Families

A group of families of victims of Pan Am Flight 103 said on Friday they were "appalled" by the court's decision.

Reuters reported from New York: "I am appalled," said Susan Cohen, spokeswoman of Justice for Pan Am 103.

"I am absolutely appalled, and I am extremely upset because it is often reported that the families want this international trial somewhere — and they do not. The vast majority of American families here do not want an international trial."

Ms. Cohen of Cape May Court House, New Jersey, lost her 20-year-old daughter, Theodora, in the bombing. She and other American families who lost relatives are suing Libya in civil court in New York seeking unspecified financial damages.

The lawsuit alleges that the Libyan government contributed to the bombing and should be held responsible. Ms. Cohen called the ruling by the

International Court of Justice in The Hague "a disaster," saying, "This doesn't get us closer to any kind of justice. This puts justice even farther away than it is."

At the United Nations, the chief British delegate said that the ruling did not mean Libya could reverse Security Council resolutions.

"What it has said is that it does have jurisdiction in this matter, that it wants to hear more detail and more argument on the substance of the matter," Sir John Weston said. "And no doubt it will do so."

"In that sense," he added, "the matter continues, and the Security Council resolutions stand."

## RATES: Strong U.S. Economy

Continued from Page 1

lems should have only a minimal effect on the U.S. and world economies. "Right now the contagion appears to be contained," Mr. Rubin said.

Daily reports delivered to the U.S. Treasury show that South Korea has built up its foreign currency reserves "very, very substantially," he said.

"Korea's situation is very much improved over where it was at the end of December," Mr. Rubin said. In addition, Thailand is in "a much better situation," and its currency, the baht, is recovering, he said.

On another note, he said President Clinton would oppose any effort by Republicans in Congress to repeal laws that require many investors to hold assets for 18 months to qualify for a lower tax rate on capital gains.

He also said the American people had "been responsive" to the president's argument that any budget surplus be set aside for Social Security, and the administration "should be able" to prevail against Republican efforts to pass a tax cut.

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## EDITORIALS/OPINION

## Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Holding Up Foreign Aid

It is scandalous that an unrelated domestic dispute over abortion is holding up congressional approval of funds for international purposes of vital American interest. One such purpose is to enable the International Monetary Fund to help troubled Asian economies, among other things, to buy more American goods. A second is to pay for American arrears to the United Nations, an organization in the center of American efforts to banish proscribed weapons from Iraq.

The trouble arises from an amendment offered by Representative Christopher Smith, Republican of New Jersey, and supported by the House Republican leadership. Current law already bars any U.S. funding for foreign abortion-related services, lobbying or research. Mr. Smith would go on to revive the Reagan-Bush "Mexico City Policy." It denies American aid to any foreign nongovernmental organization that performs abortions or lobbies for abortion even with its own money.

In the domestic debate we support the side favoring choice. But of course both sides are principled in their fashion, and both stir important constitutional issues. You could call it a difficult but unavoidable fight among Americans. But why must this fight be exported onto foreign terrain? The limitations upon the Mexico City Policy imposes upon the work of foreign nongovernmental organizations intrude directly on the options available to poor countries to manage their own future. The anti-abortion provision intrudes especially egregiously not only into the medical standards but also into the political practices of aid recipients.

As Secretary of State Madeleine Albright put it, that provision punishes uncooperative organizations "for engaging in the democratic process in foreign countries and for engaging in legal activities that would be protected by the First Amendment if carried out in the United States."

The current House Republican position is to demand that the administration negotiate a compromise banning lobbying but allowing limited family planning aid. The Clinton administration is right to want no part of a compromise that narrows the personal choices open to women abroad, interferes in the development policies of other countries and invades the public space they maintain for policy debate.

House Republicans have attached the abortion measure to most foreign policy legislation, including United Nations reform and State Department reorganization. Their amendment constitutes a rank intervention into other countries' domestic business and deserves defeat.

—THE WASHINGTON POST.

## James Bond Fantasy

There is a seductive quality to covert spy operations. Turn over millions of dollars to the Central Intelligence Agency, the theory goes, and let it use the black arts of sabotage and subversion to accomplish what diplomats and generals cannot. Washington is now enthralled by the idea that James Bond methods can remove Saddam Hussein from power. Unfortunately, the notion is a fantasy and a poor substitute for the hard work of dealing with the threats presented by Iraq.

It is fortuitous that CIA brainstorming about Iraq, as described by Tim Weiner (NYT, Feb. 27), coincides with the publication of a long-secret internal report about one of the agency's most spectacular failures, the 1961 Bay of Pigs invasion of Cuba.

Though the cases are different in many respects, both are based on overly optimistic expectations that entrenched dictators can be toppled by small acts of insurrection. Saddam today is no more likely to be overthrown through acts of sabotage than Fidel Castro was 37 years ago by a bedraggled band of invaders.

The danger of covert operations is the illusion that a secret policy can make up for the deficiencies of a public policy. Usually covert activities just make matters worse because they do not remain covert for long and often misfire, embarrassing America. In the case of Iraq, there is little chance that

—THE NEW YORK TIMES.

## Campaign Reform

There was no shortage of gleeful burial crews on Capitol Hill Thursday proclaiming the death of campaign finance reform. In truth, it was disappointing that no more than 51 senators, well short of the 60 needed, voted to cut off a filibuster of the McCain-Feingold bill led by Trent Lott, the majority leader. But if reform supporters keep attaching the measure to other legislation in coming weeks, the most significant cleanup of the nation's polluted electoral system since the post-Watergate reforms of the 1970s can still be salvaged.

Mr. Lott triumphantly pulled campaign reform from the Senate calendar. But surely it was an ignominious step to block the will of the majority of the Senate. The record now shows that all 45 Democrats (one of whom was absent on Thursday) and 7 Republicans favor reform.

It will take eight more Republicans to overcome a future filibuster, but there are enough moderate Republicans in the Senate who understand that the party looked cynical and hypocritical after exposing wrongdoing in the 1996 campaign and then blocking the one chance to reform the system. The tactics of parliamentary guerrilla warfare are not pretty, but they have worked in the past in getting approval of the minimum-wage bill and the congressional gift ban. What must also happen is that thoughtful Republicans who have supported the concept of reform should now come up

—THE NEW YORK TIMES.

## Other Comment

## Suharto's Idea

Whatever one thinks of currency boards, having stated his intention to implement one, President Suharto will only erode his credibility further if he now backs away from the discipline it implies. At the center of Mr. Suharto's contribution to Indonesian development has been the establishment of order. But to keep it he will need to give up control.

—Far Eastern Economic Review (Hong Kong).

## Don't Worry, Any Gain by Saddam Will Be Fleeting

By Jim Hoagland

WASHINGTON — Winning in the Middle East is a short-term, illusory exercise. No victory is stable in a region so marked by profound social and economic fracture and constant political betrayal. Grim survival, to fight and perhaps lose on another day, is top prize.

That is why Americans should not be too upset, or outraged, that Saddam Hussein rakes in most of the short-term gains of the latest U.S.-Iraqi confrontation. The Iraqi dictator will squander those gains, which lie more in the realm of psychology than in real diplomatic or military advantage. If he does not, the United States still has the capability to take them away from him.

The question is whether President Bill Clinton has the grit and resolve to use that capability in Iraq. The management of the first phase of this crisis — which is not over — unfortunately does not provide a conclusive answer.

Trent Lott, the Senate majority leader, and other Republicans exaggerate when they accuse Mr. Clinton of having made a bargain with the devil, in the form of UN Secretary-General Kofi Annan, to "subcontract" U.S. foreign policy and further a strategy of "aggressive multilateralism."

That overestimates the amount of deliberate strategy, and underestimates

the amount of desperation, that marked the Clintonian use of Mr. Annan and his dash to Baghdad. That mission was directed at getting Mr. Clinton out of a confrontation for which he was not yet ready, as well as at avoiding the damage a U.S. attack would bring to Iraqi civilians.

The text Mr. Annan brought back contained no serious violation of the conditions the United States and Britain had set for staying military action now. But there were serious and surprising gaps, especially on procedures for future inspections.

Those gaps will have to be worked out not by Mr. Annan but by Richard Butler, the head of the UN Special Commission inspection teams that Saddam wants to block. With strong American backing, Mr. Butler and his American deputies can shape the agreement into an arrangement that either protects the integrity of the weapons inspections or makes Saddam responsible for the agreement's failure.

That breach, in turn, will lead to "the severest consequences," a phrase that Russia, France, the United States, Britain and China agreed to include in the negotiating brief that Mr. An-

nan carried to Baghdad with him. It is Mr. Annan's performance since he returned from Baghdad that has awarded Saddam consequential gains. Somewhere between the Euphrates and the Hudson rivers the highly competent, steely Chaldean diplomat I have known for two decades metamorphosed into Miss Manners, accepting Saddam Hussein as an expert of decorum.

Most troubling was the warm way in which Mr. Annan, speaking to reporters in New York on Tuesday, embraced Saddam as a decisive leader who deserved more respect from Mr. Butler's inspectors. Suddenly the top civil servant at United Nations, which had previously vowed to ostracize and tame the Iraqi dictator, treated him as a sensitive and caring negotiating partner.

Saddam will market at home Mr. Annan's misguided praise of him as a statesman as proof that the world is relaxing its opposition to the terror and hardship Saddam inflicts on his people. It is oxygen to him.

I doubt that Mr. Annan believes Saddam has suddenly had a character transplant. Mr. Annan is realistic enough not to harbor such illusions. He seems to expect that offering Saddam some dignity and new legitimacy will encourage him to behave responsibly and live up to his word.

That was the approach George Bush and Jim Baker tried on Saddam before they started calling him Hitler Jr. This is the kind of human charity that Saddam might undergo, a conversion someday, and then minimizing his depredations for six years. Praise and sympathy encourage Saddam not to responsible behavior but to new outrage.

Ask the Kuwaitis, who helped pay for his war against Iran and then got invaded by him. You could ask his political associates, but they invariably wind up dead. Mr. Annan should remember that it is not fatal to be Saddam's enemy but to be his friend.

Saddam's gains are likely to be ephemeral, and Mr. Clinton may well get another chance at military action, for which he should be better prepared.

In the end, Saddam and President Clinton are on irreconcilable paths. The Iraqi will not permit inspections that endanger his hold on a personal arsenal of chemical and biological weapons, whatever he has agreed with Mr. Annan. Mr. Clinton and his aides have made dramatic statements about such weapons and about Iraq in this crisis that have alerted the American public to the dangers of doing nothing.

The showdown is still to come.

The Washington Post.

## Use the Reprieve to Prepare for the Inevitable Showdown

By James A. Baker 3d

HOUSTON — The apparent resolution of the standoff between Iraq and the United States is an occasion for neither celebration, as some in the Clinton administration suggest, nor recrimination, as some of the administration's critics would have us believe.

It is, rather, a sobering reminder of the need to prepare now for the next — and, in my opinion, inevitable — confrontation with Saddam Hussein.

In the short term, the agreement by Secretary-General Kofi Annan and Iraqi leader Saddam Hussein for a UN-led inspection team to return to Iraq is a significant step. It is a step that will be taken in an even tougher position. Our erstwhile coalition partners will surely show no greater enthusiasm for the use of force. And responding as we have before — using "pinprick" force or accepting another promise — should be out of the question.

Each time Saddam gives the international community the back of his hand, there is no meaningful penalty. After a while he simply promises again to do what he has been obligated to do since 1991, and the stage is set for a repeat performance.

That is where I fear we are now. I suspect Iraq (and some former members of our 1991 coalition) do not believe that Mr. Clinton will ever use substantial, sustained force. Our former Arab partners do not want any part of a policy that would involve more pinprick attacks — a one-shot bombing of a few military sites, for instance, as has been done several times since the war ended. Such attacks could prompt an anti-American backlash in these countries without significantly weakening Saddam.

What the Clinton administration should do now is make several things very clear to Iraq, to our former coalition partners, to Congress and to the American people:

• The next time Saddam does not comply with agreements he has made or with applicable Security Council resolutions, we will react with force.

• The force we use will be sustained and substantial.

• Our reaction will not be preceded by months (or even weeks or days) of negotiating or procedural wrangling under the guise of diplomacy. Diplomatic and political efforts to force compliance have been exhausted.

• We will maintain our current military strength in the Gulf for the foreseeable future.

• We will use that force unilaterally if necessary.

Whatever lies ahead, it is vital to keep in mind that countering Saddam represents only part of our interests. The broader concern is halting the spread of weapons of mass destruction — perhaps the greatest security threat confronting America and the world today.

Only the United States can lead the fight against the proliferation of doomsday weapons. We must not shrink from it. Rogue regimes around the world are watching closely. If Saddam fails to comply and we allow him to escape yet again by simply making more

promises, these regimes will conclude, probably correctly, that proliferation has won. And they will be emboldened.

There is nothing wrong with containment of Iraq's weapons programs as a policy, provided that it is sufficiently robust and sustained. It worked against the Soviet Union for more than 40 years. It has worked against Saddam's nuclear, chemical and missile capabilities for the last seven years.

It can be made to work against his biological weapons capabilities.

But only if we lead — from strength and with resolve. And if we do, we will be surprised at how many of our reluctant former coalition partners will end up cheering us on.

President Clinton has said about the Annan agreement that what is important is not Saddam's words but his actions. That is true. But it is also true that what is important next time is not Mr. Clinton's words but his actions.

The writer was secretary of state in the Bush administration. He contributed this comment to The New York Times.

## It's Time Asia Thought About the Euro and the Yen

By Philip Bowring

HONG KONG — Members of the Association of South East Asian Nations have been having fanciful dreams about using each others' currencies rather than the U.S. dollar for regional trade. Meetings on the topic may make for good headlines.

But the region would do better to examine how it can take advantage of what is going on in the grown-up currency world of the euro and the yen.

In time, local currencies are likely to be used more in bilateral trade. But for now, ASEAN trade is with the outside world. Only 25 percent of ASEAN trade is with other association members. Singapore, thanks to its entrepot role, accounts for nearly half of the total.

Much of the rest of regional trade is generated by multinational shipping parts between factories in the region. They have no interest in using local currencies. Only Singapore's currency has a strong reputation and may become used in some regional capital market transactions. Overall, the issue of ASEAN currency usage is irrelevant.

Two other events are relevant, however. The euro will come into existence at an opportune time for a Southeast Asia looking to escape its dollar straitjacket. Whether the euro proves a strong or weak currency is not particularly relevant. It will

provide a unique opportunity for Asian countries to diversify the currency of denomination and the settlement of their trade. Germany does much, but far from all, of its Asian trade in Deutsche marks. But in general the dollar is the dominant currency in Europe-Asia trade.

This was a reasonable situation when most Asian currencies had stable rates against the dollar and Europe had several currencies, most of which were unfamiliar in Asia. But a single currency in Europe and exchange rate volatility both internationally and regionally argue for diversification of trading currencies by Asia.

Now both he and his former paramour face criminal charges for lying about the details. In his case, he is alleged to have lied to the FBI (which was doing a background check on him after his nomination to the HUD post) about the amount of money he forked over.

I don't want to defend perjury. But isn't something a little out of whack when a man who was, by most accounts, a first-rate cabinet officer and an accomplished politician, and who is a decent human being, is forced to the brink of bankruptcy — not by mistrustful or morally outraged voters but by (who else?) an independent counsel?

I know, these independent counsels are not pursuing infidelity but perjury. True enough. But the underlying offense, without which none of the rest would exist, is adultery. I doubt that many people, apart from members of the political opposition or the special prosecutor's office, consider fooling around on your spouse and lying about it as two separate offenses.

You don't have to condone either the adultery or the lying to agree that it's time we Americans learned the difference between sin and crime.

The Washington Post.

The countries expected to join the euro account for about 15 percent of ASEAN trade. Though this is less than Japan (22 percent) and America (20 percent), Asia would do well to recognize the euro's potential.

It could quickly become the preferred trading currency in Eastern Europe and in countries such as Turkey, whose main trading partner is the European Union. Recognition of the euro's potential should thus not merely expand trade with Europe and the diversification of settlement currency but enhance Asia's ability to compete in the informal euro area.

The euro will come in handy for other reasons, too. First, for its own economic stability, Asia must think in terms of currency stability against the three major global currencies, not just one. It needs to diversify foreign exchange reserves away from a dollar that now accounts for some 70 percent of regional reserves. The dollar may be strong now, but how long will it remain so given the size of foreign dollar holdings and the U.S. trade deficit?

Asia also needs to diversify its sources of debt. The euro area promises a capital market almost equal in size to the domestic U.S. debt market. Unlike the United States, it has a large savings surplus.

What applies to the euro also applies to the yen. Japan and its currency may be out of favor, but Tokyo is at least encouraging yen usage. The liberalization of Japan's financial industries will produce a surge of yen lending and yen-denominated securities. If Japanese institutions do not lead the way, the more aggressive foreign institutions in Tokyo will.

Asians have borrowed a skepticism about the euro from the Anglo-Saxons. And for their own reasons they have been reluctant to engage with Japan on financial issues. But ASEAN members now must consider how to take advantage of global currency developments. They may find it increases their bargaining power in debt negotiations. After all, it is the Europeans and the Japanese who are Asia's main creditors, not the canner U.S. banks.

An Asia-Europe summit meeting is set for London in April. The Asians now should be considering how to bargain their need for trade finance and loan restructuring for Europe's need for euro success.

International Herald Tribune.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

## 1898: Steamship Safe

NEW YORK — The overdue French line steamship Champagne was towed into Halifax, Nova Scotia, today [Feb. 27] by the steamer Roman. M. René Japet, a superintendent of the French line, said the first- and second-class passengers would come at once to New York from Halifax by rail and the third-class passengers by steamer.

## 1923: French Law

PARIS — [The Herald says in an Editorial:] Several arrests of Americans in France within the last few months have drawn attention to a feature of French criminal law which differs essentially from that of Anglo-Saxon countries. It is imprisonment upon simple accusation, without communication with friends or counsel. No foreigner can reasonably quarrel with this rule when it affects

only citizens of the country itself, but when applied to Americans it evokes a resentment which is not very favorable to the maintenance of that cordial understanding between the two nations which the vast majority in each religiously cherishes.

## 1948: Gottwald Replies

PRAGUE — Communist Prime Minister Klement Gottwald, after watching his twelve new ministers sworn in today [Feb. 27] by President Eduard Benes, assailed the tripartite denunciation of the tactics that gave him power in Czechoslovakia. He said Czechoslovakia would not take "lessons in democracy from those who have Munich on their conscience." The government also charged tonight that Great Britain, the United States and France "had not the slightest legal right to interfere or even criticize the internal life of Czechoslovakia."

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Be Fleeting

That was the approach George... and Jim Baker tried on Saddam... they started calling him Hitler... the kind of human charity that... Clinton expressed in saying that... someday, and then minimizing his... predations for six years. Those... sympathy encourage Saddam and his... responsible behavior but to new... Ask the Kuwaitis, who helped... for his war against Iran and the... political associates, but they were... wind up dead. Mr. Amman should... member that it is not fatal to be... Saddam's enemy but to be his friend... ephemeral, and Mr. Clinton may... get another chance at military action... which he should be better prepared... In the end, Saddam and Presi... Clinton are on irreconcilable paths... Iraq will not permit inspection... of chemical and biological weapons... whatever he has agreed with the... Mr. Clinton and his aides have... made dramatic statements about... weapons and about Iraq in the... that have alerted the American... to the dangers of doing nothing... The showdown is still to come... The Washington Post

le Showdown

Council react with... promises, these regimes... conclude, probably... that proliferation has... they will be emboldened... There is nothing... containment of Iraq's... programs as a policy... that it is sufficiently... sustained. It worked... the Soviet Union for... 49 years. It has worked... Saddam's nuclear, chem... and missile capabilities... last seven years... It can be made to... against his biological... capabilities... But only if we lead... strength and with resolve... if we do, we will be... how many of our... former coalition partners... end up cheering us... President Clinton has... about the Annan... that what is important... is Saddam's words but... actions. That is true... true that what is important... is not Mr. Clinton's... but his actions... The writer was... in the Bush... in the New York

o and the Yen

expected to... for about... E.A.N. trade... than Japan... America... to do well... potential... become the... currency in... in countries... whose main... are European... as... the said this... trade with... verification... may but... to compete... area... me in handy... First, for... ability. Asia... and currency... three major... not just one... foreign ex... way from a... accounts for... regional re... may be... a long way... e size of for... and the... to diversity... The euro... capital market... to the do...

ES: 100, 75 AND 50 YEARS

only citizens of... self, but when... which is not... the maintenance... understanding... nations which... on each religio... 1948: Gottwald... PRAGUE—Comm... Minister Klement... after watching his... numbers sworn to... 27) by President... of the Czechoslovak... power in Czechoslovak... said Czechoslovak... take "lessons in... from those who... their conscience... government also... that Great Britain... States and France... slight legal leg... or even crime... of Czechoslovakia... Law... said says in... of within the... drawn at... of French... shifts... of Anglo... is imperis... accusation... No far... quarrel... it affects...

In London, The Past of Futurism

By Alan Riding  
New York Times Service

LONDON — "Regard art critics as useless and dangerous," proclaimed the 1909 manifesto that gave birth to Italian Futurism. And since it was a call to arms intended to shock, the manifesto penned by the poet Filippo Tommaso Marinetti offered other similarly inspired slogans, among them, "No work without an aggressive character can be a masterpiece," and, "We will destroy the museums, libraries, academies of every kind."

Of course, no matter how revolutionary, any art movement that dares call itself Futurism seems bound to face early obsolescence. And after enjoying its 15 minutes — or 15 years — of fame, Italian Futurism was overtaken by new avant-gardes. Yet in its belief that a single vision of the world could embrace all art forms, it nonetheless fueled the artistic debate raging in Europe in the early decades of this century.

Its aim was to cast off what it considered the "burden" of Italy's artistic heritage and express the energy, vitality and machinery of modern life in new aesthetic ways. "We affirm that the world's magnificence has been enriched by a new beauty, the beauty of speed," the ever-proselytizing Marinetti declared. "We will sing of deep-chested locomotives whose wheels paw the tracks like the hooves of enormous steel horses."

In practice, though, the movement was more intellectual than artistic, dedicating much of its energy to theoretical pronouncements about literature, film, architecture, music, painting, sculpture and broader topics like "The Futurist Reconstruction of the Universe" and "The Futurist Manifesto of Lust."

Only in visual arts did Italian Futurism leave a significant legacy, remembered today thanks largely to the art critics and museums it set out to destroy.

Now, in the unlikely setting of an early 19th-century town house on a quiet square in (S)lington, the Italian Futurists have found a London home in the Estorick Collection of Modern Italian Art.

INAUGURATED on Jan. 27, the museum, Britain's first dedicated to modern Italian art, contains 100 paintings, drawings and sculptures and a 2,000-volume library. "The Estorick Collection is one of the finest collections of early 20th-century Italian art anywhere in the world," said Nicholas Serota, director of the Tate Gallery, which exhibited part of the collection in 1996. "The collection owes its origin to Eric Estorick's remarkable eye and judgment as to the importance of Italian art at a time when it was unfashionable."

A Brooklyn-born writer, dealer and collector, Estorick acquired most of his Italian artworks in the late 1940s and 1950s. Married to an Englishwoman, he founded Grosvenor Gallery (Fine Arts), in London in 1960, and spent much of the second half of his life in Britain.



Umberto Boccioni's 'Modern Man' which he painted in 1911.

Shortly before his death in 1933 at the age of 80, his children persuaded him to create the London-based Eric and Salome Estorick Foundation.

The collection offers an overview of 20th-century Italian art through the mid-1950s, with paintings by Modigliani and the Meta-physical artist Giorgio de Chirico as well as drawings and etchings by Giorgio Morandi, paintings and drawings by Mario Sironi and Massimo Campigli, oils by the Italian-Slovenian painter Zoran Music and sculptures by Emilio Greco, Giacomo Manzù and Marino Marini. The museum's most important works, though, belong to Futurism.

IN painting, Umberto Boccioni, Carlo Carrà, Luigi Russolo, Giacomo Balla and Gino Severini quickly adopted the techniques of Cubism. But while Braque and Picasso favored still lifes and portraits, mostly in drab colors, the Futurists chose to show cars, trains, cyclists, dancers and crowds in bright colors, repeating a form's outlines like multiple photographic exposures (or ancient Egyptian and Etruscan designs) to create a sense of movement.

Moving objects multiply themselves, become deformed, follow each other in succession, like vibrations in the space through which we travel," the "Futurist Painting: Technical Manifesto" of April 1910 stated.

"Thus, a running horse has not 4 legs but 20, and their movements are triangular."

In the Estorick Collection, this technique is well illustrated in Balla's "Hand of the Violinist" (1912), in which the musician's left hand is seen hurrying through five different positions. Similarly, Boccioni's study for "The City Rises" (1910), Carrà's "Leaving the Theater" (1910-11) and "The Boulevard" (1910-11) by Severini capture the hustle of pedestrians in different geometric shapes. Balla's "Speeding Automobile" (1913) and Boccioni's "Dynamism of a Cyclist" (1913) are in turn studies of speed.

But the Futurists also sought to break with the past in other ways. In "Modern Man" (1911), a portrait of an urban prostitute wearing a hat laden with pink and yellow flowers and fruit, Boccioni seemed intent on breaking with academic formalism in his use of contrasting bright and dark colors and bizarre slashes of yellow light. "How is it possible still to see the human face as pink, now that our life has multiplied our perception as colorists?" the "Futurist Painting: Technical Manifesto" asked. "The human face is yellow, red, green, blue, violet."

For Beauty or for Scholarship?  
'Princes, Poets and Paladins' Asks Some Urgent Questions

By Souren Melikian  
International Herald Tribune

LONDON — Of all the questions that arise in our global world, few are as difficult as the dilemma facing those who attempt to introduce to their constituency art from remote cultures with different aesthetic premises. Do you want to be encyclopedic or sharply focused? Do you aim for beauty or do you reject the notion of selection?

"Princes, Poets and Paladins," at the British Museum until April 12, which deals chiefly with book painting in Iran and India, from the Persianized Mogul court to Hindu principalities, raises the question with renewed urgency, even if that is not the purpose of the show put together by curator Sheila Carney.

The works are borrowed from one of the greatest collections in the world, formed by Prince Sadruddin Aga Khan, a descendant of Fathali Shah of Iran (1799-1834), born in the West and educated at Harvard, the Iranian prince has an eagle eye for the rare and beautiful. The result is fascinating but bewildering. The ups and downs in quality, the frequent shifts from one cultural period or area to another leave the most intrepid visitor wondering just what he is looking at.

It begins, molto andante, with a few mid-14th-century pages from Persian manuscripts of the 10th-century Book of Kings, neither wonderful nor very well preserved — by the time the collector began buying, there was not much left of a sublime order from that period that remained available in the market.

Without transition, the art lover stumbles upon some remarkable 15th-century pages. Two leaves torn off, with another 38, in the 1920s from a magnificent manuscript of the 15th century, the Khavaran-Nameh now in the Tehran Museum of Decorative Arts, are striking. One, with the beautiful maiden Golamdan at whom a seated man looks up, would of itself justify a visit to the show. So would a couple of leaves from another great book, a 1494 manuscript of the Book of Kings in two volumes preserved in two Istanbul museums.

ALL this, however, is nothing compared with the seven leaves from the greatest manuscript ever illuminated in 16th-century Iran. This too is a Book of Kings, which was commissioned by Shah Tahmasp on ascending to the throne in 1524. Intact until it was acquired from Baron de Rothschild by the late Arthur Houghton Jr., the book was ripped apart in the late 1960s. Some folios were given to the Metropolitan Museum with substantial tax-deduction advantages, others



Page from the Shah-Nameh of Shah Tahmasp at the British Museum show.

dispatched to auction or sold through dealers, and the rest of the manuscript eventually traded to the Iranian cultural authorities, anxious to save the book from further destruction, by the Houghton Estate in exchange for a Willem de Kooning in the Tehran Museum of Contemporary Art.

In their 1981 book on the manuscript, "The Houghton Shah-Nameh," Stuart Cary Welch and Martin B. Dickson, later echoed by other art historians, assured us that it had been sent as a present by Shah Tahmasp to Sulaiman the Magnificent. This is unlikely. There is no imperial dedication in the manuscript, nor a record of its entering the Istanbul imperial library in the 16th century. When this heirloom left the imperial library of Iran has yet to be determined.

One can imagine the mix of jubilation and distress experienced by Sadruddin Aga Khan on acquiring some pages at auction and in the trade, including the ultimate masterpiece of Iranian painting in the 16th century,

which shows Gayomars, the mythical first ruler of Iran, holding court in the mountain surrounded by retainers. There are other gems, if none quite of that caliber. The portrait of a young man in courtly attire seated on his heels in a hilly landscape has a calligraphic perfection matched by few of its kind.

Regrettably, the art plummet when it comes to the 19th century. One can easily skip its naive images to go over to some of the masterpieces that stake out the beginnings of the Mogul school in Hindustan, as Islamic India was known, when Tabriz master artists were called in by the Persian-speaking Mogul emperors. The portrait of Shah Abu'l-Ma'ali by "Master" Dust is one of them.

Within two decades, a new art emerged, of which some of the greatest pieces are here too. Elephants romping about by the riverside, painted on a leaf removed from a "Babur-Nameh" ("The Memoirs of Babur," the founder of the dynasty), have a subtlety and yet a broadness as well as an

evocative quality that belong to Hindustan. Developments of extraordinary diversity took place. European influence crept in, introducing individualized faces and a perspective of sorts, only to vanish soon after. Some works cut out from their volumes, can be hard to place. Such is the fabulous royal rider with a bow slung over his shoulder painted around 1600-1610.

If the show stopped here, or even continued as far as the last flicker of the great Mogul tradition around 1690 in faraway Hyderabad — represented in the Sadruddin collection by one of its most important specimens — it would be a fascinating cultural trip. By extending it to include all kinds of 18th- and 19th-century offshoots, some interesting in themselves, others out of place in a great art exhibition, the organizer invites the visitor to enter a labyrinth with too many side avenues.

A PRINCESS smoking a hookah, from the Guler school in the Punjab Hills, represents a late avatar in which a native Indian tradition, remnants of European influence (in the toned sky, in the clusters of marguerites) and traces of Iranian linear design all blend. A hunting scene with a stylized forest dated 1781, later by only a few years, and yet far removed in spirit could belong to another culture. It virtually does. The state of Kotah, in what is now Rajasthan, was a very different sort of place from the Punjab Hills.

This is not one art show, but half a dozen in one, with not much to weld them. To have within yards of each other the Delhi scenes of the 1820s and the leaves from the Shah Tahmasp Book of Kings is like bringing under one roof Leonardo and Munich school genre scenes of the 1850s with jolly farmers in lederhosen. The danger of tedium is eliminated, but so, alas, is any clear sense of purpose.

Nowhere is the nonspecialist clearly told that almost all the images from Iran and Mogul Hindustan are the remains of destroyed volumes, meant to be looked at not separately but in sequence; that the link with the calligraphed texts was intimate, even on a technical level; and that reading the text, with its pace and rhythm, its stylized celebration of beauty and nature, formed an integral part of the aesthetics of the book. Such is the intractable difficulty of transmitting the artistic message when trespassing major cultural boundaries.

The exhibition resumes at the Arthur M. Sackler Museum in Cambridge, Massachusetts, from May 20 to Aug. 30; at the Rieberg Museum, Zurich, from late September to early January; and at the Musée d'Histoire, Geneva, from September 1999 to January 2000.

BOOKS

TRICKSTER MAKES THIS WORLD:

Mischief, Myth, and Art  
By Lewis Hyde, 417 pages.  
\$26. Farrar Straus Giroux.

Reviewed by Michael Dirda

LEWIS HYDE'S celebrated first book, "The Gift" (1979), examined the creative imagination, focusing on its relationship to the marketplace. In particular, Hyde stressed that true art — the kind that "revives our soul" — possesses the character of a gift: "When we are moved by art we are grateful that the artist lived, grateful that he labored in the service of his gifts." Work done strictly for hire, whether commercial illustration or commercial fiction, lacks this spiritual power; it doesn't draw on a creator's deepest imagination. Blithely mixing anthropology, literary criticism and myth research, "The Gift" cracked with speculative, heartfelt ideas, and was soon recognized as one of those maverick texts that make us see the world with fresh eyes.

Now, almost 20 years later, Hyde returns with a study of why art and culture require such boundary-breakers and mischief-makers. "Trickster Makes This World" follows the same free-wheeling format as "The Gift" but takes up the mythic figure of the Trickster-Coyote, Hermes, Loki, Eshu, Krishna, and all the other lying, thieving, con-artist gods. Along with shrewd interpretations of various myths (in particular that in "The Homeric Hymn to Hermes"), Hyde considers a small band of modern artists and thinkers who embody one or more aspects of the Trickster: Marcel Duchamp, John Cage, Marina Abramovic, Alvin Ginsberg and, stepping back in time, Frederick Douglass. The result is a book that persuasively celebrates the need for the kind of paintings, music, books and ideas that society initially finds un-

pleasant, if not downright repulsive, subversive or immoral.

According to Hyde, the Trickster is the god of the doorway, the threshold, the hinge. He moves between the realm of man and god, between wilderness and civilization, between life and death. In a black-and-white world Coyote or Raven shifts in the shadows, mottled, pied, hard to detect. The trickster reinvigorates culture by preventing it from becoming over-structured, muscle-bound and sanctimonious. "When trickster breaks the rules we see the rules more clearly, but we also get a glimpse of everything the rules exclude."

Hyde discusses the function of this in society (building on Mary Douglas's classic "Purity and Danger"), carefully analyzes why Trickster is a "hungry god," differentiates the artistic purpose of Andres Berrano's notorious "Piss Christ" from Robert Mapplethorpe's sado-masochistic photographs, explains (and modifies) the usual view of carnival as inherently conservative, and suggests why there are so few female tricksters in world mythology. Like its subject, the book is supple, flexible, limber — and occasionally repetitive, a little elusive or New-Agey at times, possibly over-subtle in some of its myth interpretations and etymologies. No matter. "Trickster," says Lewis Hyde, "speaks freshly where language has been blocked, gone dead, or lost its charm," and so does he in this hymn to the gods of mischief, who are also the gods of artistic and cultural renewal.

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## For South Korea, Michael Jackson Is a Thriller

### Pop Star Agrees to Spend \$100 Million on Theme Park in President's Stronghold

By Don Kirk  
International Herald Tribune

SEOUL — Kim Dae Jung, South Korea's newly inaugurated president, appears to have attracted his first big foreign investment: Michael Jackson has agreed to spend at least \$100 million on an amusement park, development company executives said Friday.

The pop singer has agreed to build a theme park for children called Neverland Asia in the southwestern Cholla region from which Mr. Kim draws his most fervent support, Ssangbangwool Development Co. said.

The company said Jackson's aides had indicated he would invest \$100 million to \$150 million in a ski resort in North Cholla Province, governed by one of Mr. Kim's top economic advisers, You Jong Keun. The figure would include a lease on the land as well as construction of the theme park, the company said.

Executives at Ssangbangwool, primarily an underwear manufacturer, were optimistic about the deal even though Mr. Jackson left the country Thursday after attending Mr. Kim's in-

auguration Wednesday and visiting another possible site for a theme park at the port city of Incheon.

Although Mr. Jackson did not sign a contract, Ssangbangwool said he had approved the release of a previously confidential memorandum of understanding that he signed during a visit last November. The memorandum told for him to "create and design a theme park."

The company, reportedly in severe financial difficulty, said Mr. Jackson had agreed on the project and would settle on terms by the end of April. The theme park would emulate the Neverland Park that Jackson is establishing in his Newland Valley Ranch in Los Olivos, California.

"Until very recently Koreans believed foreign investment was against our national interests," Mr. You said. "Koreans believed if they somehow stymied foreign investment, they were doing a patriotic deed."

Mr. You promised the deal by suggesting Mr. Jackson visit the area in November and then introducing him to Mr. Kim, who had a long conversation with him at the height of his presidential

campaign.

Mr. Jackson is the most visible of a number of foreign investors checking out the possibilities of investing in segments of Korean business and industry that may be up for sale as companies downsize or face bankruptcy.

The financier George Soros, who also attended the inauguration, told Korea's leading business newspaper, Maeil Economic Daily, that the combination of relatively low stock prices and devaluation of the Korean won would lure otherwise reluctant foreign investors.

Analysts said Mr. Soros's remarks helped the composite stock index rise 23.44 points, or 4.5 percent, to 548.42.

"A lot of the right words are being said," said David Young, head of the Hoshin Consulting Co.'s office in Seoul. "The pressure is the passion of company owners to get through the crisis."

An increasing number of chairman and owners of South Korea's *chaebol*, or conglomerates, have taken on the role of chief executive officer.

Kim Woo Chong, chairman of the Daewoo group, the fourth largest *chaebol*, is set on Saturday to assume the

titles of chief director of the group's three most important companies, Daewoo Motor Co., Korea's second largest motor vehicle manufacturer; Daewoo Heavy Industries Ltd., Korea's second largest shipbuilder; and the Daewoo Corp., which doubles as the group's trading arm and construction company.

The taking of company titles by the *chaebol* leaders is seen as evidence of their desire in restructuring in keeping with the demands of the International Monetary Fund in arranging a \$60 billion rescue plan for the Korean economy in December. Most of the *chaebol*, including Daewoo, have pledged hands-on control by their owners in deals signed with their creditor banks.

Statistics released by the National Statistics Office Friday added to the sense of urgency for reform — and foreign investment. Imports of machinery fell by 47.3 percent in January from a year ago, while total industrial output dropped 10.3 percent.

Officials at the Bank of Korea predicted a 2 percent drop in the gross national product for the first quarter of this year and thought the economy would



Michael Jackson at the inauguration of President Kim Dae Jung.

probably contract over the entire year. More than 3,000 small and medium-sized companies have gone bankrupt this year, and industries in general are operating at only 65 percent of total capacity, according to the National Statistics Office.

One result, said the statistics office, is that the unemployment rate has risen to 4.1 percent from 3.5 percent.

## Apple Plans To Scrap Its Newton Line

NEW YORK — Apple Computer Inc., in its latest move to stem losses, said Friday it was scrapping further development of its innovative but money-losing Newton handheld computer.

Apple said it would instead use its Macintosh operating software for all its mobile computer products, starting next year. First, it would sell out its existing stock of Newton MessagePad 2100 and eMate 300 computers.

The move ends speculation that Apple would try to sell the Newton division. Last year, Apple said it would spin off Newton into an autonomous subsidiary, then reversed that decision.

After a high-profile but flawed introduction of its Newton line four years ago, Apple greatly improved the computer's ability to recognize handwriting and communicate as well as its power and memory.

But despite praise for the Newton MessagePad, a handheld device, and eMate 300, a larger computer, the division is still losing money.

Apple, under the direction of its co-founder and interim chief executive, Steve Jobs, has been trying to stem declining market share and make its products more competitive with machines using Microsoft Corp. software and Intel Corp. chips.

Scrapping Newton is the latest effort to revive its sagging fortunes. Also to save money, Apple this year pulled its flagship Macintosh computers from all major national retailers except CompUSA and cut 300 jobs in its software unit.

Apple is still searching for a new chief executive; Mr. Jobs has said he is not interested in the job. Still, analysts have been impressed with his performance: cutting costs, streamlining product lines and bringing in a new board of directors. The company reported an unexpected profit in its first quarter ended in December.

In late trading, Apple shares were at \$23.50, unchanged.

The Friday move comes just a few weeks after Apple reorganized its Claris software unit, bringing all but one application back into Apple and renaming the unit as a stand-alone subsidiary with the FileMaker product line.

Apple faces increasing competition in the palmtop market from machines that use Microsoft's Windows CE software and computers like 3Com Corp.'s Palm Pilot, which use their own systems. (AP, Bloomberg)

## Hostile Bid for Drug Firm?

### Glaxo May Not Have Given Up on SmithKline

LONDON — SmithKline Beecham PLC shares rose as much as 6.3 percent Friday on press reports that Glaxo Wellcome PLC may make a £50 billion (\$82 billion) hostile bid for the drug company after merger talks failed this week.

Both Glaxo and SmithKline, whose stock rose as much as 47 pence before closing up 10 pence at 760 pence, declined to comment on the reports that the world's biggest drug company is talking to major shareholders about buying SmithKline.

Glaxo made a hostile bid for Wellcome PLC in 1995, and the possibility of a new takeover comes as drugmakers worldwide merge to cut costs as governments and insurers demand lower drug prices.

Glaxo investors were less bullish on the prospect of a takeover, because it would involve a higher price and more risks, and Glaxo's shares fell 58 pence to close at 1,700 pence.

Analysts had speculated earlier this week that the failure of the merger would lead to a takeover of SmithKline.

pany would leave SmithKline — which also dropped a recent merger effort with American Home Products Corp. — open to an outright takeover.

John Hatherly, head of research at M&G Group, which holds about 1 percent of Glaxo's outstanding shares, said he thought an announcement would be made soon if the reports were correct.

"It's difficult to see whether it's just noise or newspaper speculation," said Mr. Hatherly, who said he had not been involved directly in any discussions with Glaxo about a possible bid.

But if the price of SmithKline shares "carries on going upwards, I suppose the stock exchange might ask them to give a clear statement of their intentions," he said.

The reports helped the London Stock Exchange's blue-chip FTSE 100 power through the 5,800-point level for the first time during the day. The index lost ground, however, and closed up 0.04 point at 5,767.30.

France's CAC 40, meanwhile, rose 0.73 point to 3,421.92 and Germany's DAX rose 0.38 point to 4,709.83. (Bloomberg, Reuters)



GOLD AGREEMENT — South African miners singing protest songs at a two-day meeting in Johannesburg between the miners' union and mine owners. In a pact reached Friday, the owners, whose profits have declined, agreed to consult with a committee before proceeding with layoffs in the industry. Page 11.

## WALL STREET WATCH

### A Tale of 2 Stocks: Lucent Keeps Flying High as Smaller Rival Ciena Suffers

NEW YORK — In the telecommunications-equipment industry, as in many others, biggest is often best. But telecommunications investors looking for quick profit may not want to apply that maxim just now.

There has been a telling divergence in the recent financial fortunes of Lucent Technologies Inc., the biggest North American maker of gear for communications networks, and those of Ciena Corp., one of Lucent's smaller rivals.

Thanks to its torrid stock, Lucent has packed on about \$20 billion in value since the middle of January, bringing its market capitalization to about \$70 billion. Over a similar period, Ciena's market value shrank by about \$2.3 billion, to about \$3.7 billion.

But somewhere along Lucent's 40 percent rocket ride and Ciena's 38 percent fall, investors have appeared to get a bit overexcited about both companies' near-term stock prospects. Lucent's stock has already passed or come close to the targets set by many financial analysts for the end of this year. Some of those analysts have raised their target, but others question whether the stock can support valuations far

higher than it has borne in the past. Ciena's shares are not quite in the bargain bin.

But they have been discounted to the point where their price does not appear to reflect the company's growth prospects. Ciena is a leader in one of the few precincts of the telecommunications equipment world where Lucent is not a dominant player.

The company makes advanced gear that allows phone companies to transmit much more information over their fiber optic networks. Called wave division multiplexers, expensive boxes like those made by Ciena generally allow carriers to increase the capacity of their systems by as much as 16 times.

Lucent does not offer much in that field but said last month that by the end of the year it would introduce a multiplexer that increases capacity 80 times. That could trump Ciena, which plans a 40-times product soon but has not announced plans for an 80-times multiplexer.

In another blow, Ciena disclosed last week that a major customer, WorldCom Inc., intended to scale back its orders.

The Lucent and WorldCom announcements quickly depressed Ciena's stock price.

Still, Lucent's announcement is merely a plan. The company has a fine

track record of delivering on its promises, but the landscape of high technology is littered with unrealized intentions. Steven Levy of Salomon Smith Barney Inc. maintains that Ciena will sign other clients to make up for the loss of WorldCom orders. Many analysts expect Ciena's revenue to exceed \$500 million this year, against \$373.8 million last year.

Ciena's stock, which went public at \$23 a share a year ago, closed at \$19.375 Friday, or about 30 times estimated earnings, far below its high last month of \$63.625.

Mr. Levy's confidence in Ciena's earnings power is not unusual. Wall Street research analysts are almost preternaturally optimistic. What is unusual, though, is Mr. Levy's willing-

ness to speak at all critically about the levitation of Lucent's stock.

"Frankly, I think Lucent is getting a bit ahead of itself," he said.

The stock is certainly getting ahead of its traditional valuation of 20 to 30 or so times projected earnings. The average profit estimate among analysts pulled by First Call is \$3.10 a share for the year ending September. (Mr. Levy is one of the optimists, estimating \$3.20 a share). Lucent, which was priced at \$27 a share at its initial public offering in April 1996, closed at \$108.50 on Friday, a multiple of 35 based on projected earnings.

Such heights can be difficult to maintain. Lucent's long-term prospects remain rosy; the company is one of the giants of its industry, and it is

getting leaner. But it would be hard to expect the current run-up to continue at its current breathtaking pace, if at all.

In July, Lucent traded as high as 38 times what the company eventually would earn for the year. It tailed off very quickly thereafter.

Last month, Lucent exceeded the average quarterly earnings estimate by 13.2 percent, proving unfounded the concerns that telephone carriers were slowing capital spending. The full-year estimates rose. But the shares rose even faster, and not so often in great spurts as in steady strides.

Perhaps as important for the company's share price was its announcement last week that it intended to split its stock 3-for-1 in April. Because of its legacy as part of AT&T Corp., Lucent is the second most widely held U.S. stock. Sixty percent of its shares are owned by individual investors, who generally put more faith in the power of stock splits than do institutional holders.

Lucent is trading at a huge premium to such other big makers of telecommunications equipment as Nokia Group of Finland, whose price-to-earnings ratio is 27, and Northern Telecom Ltd. of Canada, at 28. The only one that comes close is LM Ericsson AB of Sweden, at 33, and Ericsson is much more heavily involved with wireless

communications than is Lucent. (Ericsson is also much more heavily invested in Asia than Lucent.)

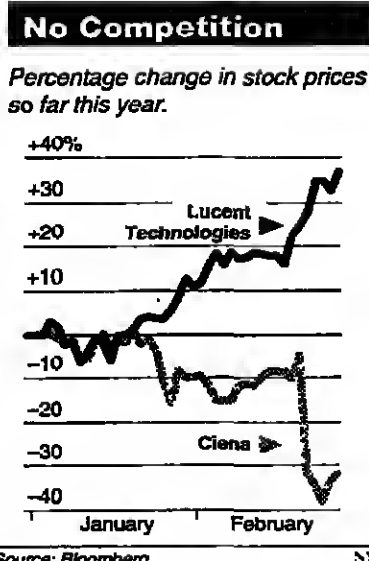
Donald Peterson, chief financial officer at Lucent, said the company deserved its high valuation because it consistently beats earnings estimates. Mr. Peterson suggested that investors think of Lucent as they would a drug company: steady and reliable.

"We have with the drug industry a very high-quality demand pattern," he said. "The drug companies know we are all going to get old and need help. I believe it's reliable that the world will need more phones."

Venture a comparison, then, of Lucent and Merck & Co., the drugmaker.

The companies are roughly the same size, have been growing at a similar rate and each is a leader in its industry. Lucent had sales last year of \$26.4 billion, 33 percent higher than in 1994. Merck had sales last year of \$23.7 billion, 39 percent more than in 1994. Lucent's stock has had a strong run, as has Merck's, which has gained about 40 percent since November.

Merck's shares were at \$127.5625 Friday, a forward-earnings multiple of 29. Were Lucent's shares trading at the same valuation, they would be at \$89, or 19 percent off the current price.



# CURRENCY & INTEREST RATES

## Feb. 27

### Cross Rates

	USD	EUR	GBP	JPY	AUD	NZD	HKD	SIN	THB
Australian dollar	0.6999								
British pound	0.6999								
Canadian dollar	0.6999								
French franc	6.5596								
German mark	1.9364								
Italian lira	2036.27								
Japanese yen	109.00								
New Zealand dollar	0.6999								
Portuguese escudo	200.48								
Spanish peseta	166.64								
Swedish krona	8.4656								
Swiss franc	1.4536								
Taiwan dollar	24.6375								
Thai baht	54.7564								
US dollar	1.0000								
Yen	109.00								

### Libid-Libor Rates

	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
USD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
EUR	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
GBP	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
JPY	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
AUD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
NZD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
HKD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
SIN	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
THB	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

### Key Money Rates

	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
USD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
EUR	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
GBP	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
JPY	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
AUD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
NZD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
HKD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
SIN	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
THB	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

### Other Dollar Values

	USD	EUR	GBP	JPY	AUD	NZD	HKD	SIN	THB
Australian dollar	0.6999								
British pound	0.6999								
Canadian dollar	0.6999								
French franc	6.5596								
German mark	1.9364								
Italian lira	2036.27								
Japanese yen	109.00								
New Zealand dollar	0.6999								
Portuguese escudo	200.48								
Spanish peseta	166.64								
Swedish krona	8.4656								
Swiss franc	1.4536								
Taiwan dollar	24.6375								
Thai baht	54.7564								
US dollar	1.0000								
Yen	109.00								

### Forward Rates

	30-day	60-day	90-day	180-day	360-day	180-day	360-day	180-day	360-day
USD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
EUR	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
GBP	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
JPY	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
AUD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
NZD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
HKD	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
SIN	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
THB	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

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	A.M.	P.M.	Cirge
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### Source: Reuters, Bloomberg, Merrill Lynch, Pierce, Fenner & Smith, Citicorp, Commercial, Credit Lyonnais.

### Source: Reuters, Bloomberg, Merrill

## Asia Woes Bring Derivatives Headaches

NEW YORK — Derivatives, the financial instruments favored by corporations trying to limit business risks and speculators trying to make a fast buck, are causing headaches in Asia and forcing regulators in the United States to inquire discreetly about any bombshells on the books of U.S. banks.

The value of derivatives is pegged to that of underlying assets, such as stocks, bonds and currencies. But when two parties agree to take opposite sides in a derivatives deal, the prospect that the loser will pay the winner is only as good as the paper on which their contract is written and the integrity of the participants.

Derivatives are loosely regulated, do not trade on public exchanges and, in disputes, ultimately have to be enforced in court.

Now, J. P. Morgan & Co., one of the nation's most prestigious banks, is embroiled in a dispute over derivatives deals with South Korean companies that have exposed it to hundreds of millions of dollars in potential losses.

And because Morgan is not the only U.S. bank involved in such risky trading in Asia, the Federal Reserve Board and other regulators are scrutinizing banks' exposure to losses there, say banks that have been contacted recently.

The Fed has declined to comment on the issue.

The Morgan dispute is the subject of a lawsuit that is beginning to wind its way through U.S. District Court in New York. In the latest twist, the Housing & Commercial Bank, one of South Korea's largest and a defendant in the suit, is crying foul.

Housing & Commercial guaranteed SK Securities Co., a Korean investment firm and the other defendant in the suit, against losses in two derivatives contracts between SK and Morgan. In interviews, lawyers for Housing & Commercial said the contracts originally specified that the losses would not exceed \$100 million.

But the Housing & Commercial lawyers contend that language in the contracts was altered without the bank's knowledge in such a way that SK's potential losses, and Morgan's gains, were not limited to \$100 million.

But a lawyer for Morgan says that Housing & Commercial's general counsel, David Yu, said that an officer of his bank authorized the removal of the \$100 million limit before the contract closing. Mr. Yu could not be reached for comment.

An SK spokesman declined to comment other than to say that "there are misrepresentations and irregularities in the transaction, and Morgan should be held accountable for them."

But more is at stake in the dispute than the terms of the contracts and the \$300 million that Morgan is seeking from the Korean institutions. Many participants in the derivatives market worry that the dispute will result in more rigorous regulatory oversight of the innovative — and free-wheeling — derivatives market.

"It has always been the derivatives industry's fear that regulators will make the rules, rather than the participants," said Leslie Rahl, a principal with Capital Markets Risk Advisers, a New York consulting firm specializing in derivatives.







## EUROPE

# French Jobless Rate Takes Another Dip

Compiled by Our Staff From Dispatches

PARIS — The French unemployment rate dropped in January for the third month in a row, but the number of jobless increased slightly, the Labor Ministry said Friday.

The unemployment rate slipped to 12.1 percent from 12.2 percent in December, but the seasonally adjusted number of people unemployed in France rose in January by 5,900 to 3,033,700.

The rise in the number of job seekers breaks a string of four consecutive monthly drops. In December, the number of job seekers fell by a record 86,800.

The 12.1 percent unemployment rate is the lowest since February 1996, when it also stood at 12.1 percent.

The dip in the unemployment rate was sure to be good news for the Socialist-led government, elected in June on pledges to create jobs. But the rise in job seekers shows that France's problem of long-term unemployment persisted.

Finance Minister Dominique Strauss-Kahn said the government would give priority to cutting unemployment rather than to cutting social charges.

"Cutting social charges in not our major priority. Our priorities are one: employment, two: em-

ployment, three: employment," he said. "For 1998, the whole of the budget is likely to be oriented toward employment."

Those seeking jobs in France for longer than a year rose 1.9 percent in January and accounted for 37.4 percent of the total. The figure is 3 percentage points higher than a year ago.

A separate measure, based on International Labor Organization standards, showed the number of jobless fell by 35,000 in January. "The job engine is warming up," said Stephane Deo, an economist at Goldman, Sachs & Co. in Paris. "As soon as we enter the virtuous circle of employment and spending, we'll be out of the woods."

Mr. Deo said most employment gains would take place in high-tech sectors and services this year. Already, Cegetel, a telephone company controlled by General de Gaulle SA, hired 2,000 workers in 1997 and plans to take on another 2,500 this year. The software company Cap Gemini SA also plans to hire more than 1,000 people this year.

Still, the improvement will be very gradual, analysts said. It took five months for the unemployment rate to slide from July's record 12.6 percent. (Reuters, AFP, Bloomberg)

# Pact on South African Gold Mines

## Owners Agree With Unions To Form Committee to Oversee Layoffs

Agence France-Presse

JOHANNESBURG — South African mining companies and the National Union of Mineworkers reached an agreement Friday on a partial restructuring of the gold-mining industry.

The 10-point declaration emerged from a two-day crisis summit meeting of government, industry and labor leaders called by the union.

The parties agreed to the establishment of a government-controlled crisis committee to oversee job cuts in the industry, hit by over 65,000 layoffs since January of last year.

Employers have agreed to a six-week moratorium on further layoffs, which will allow the government to create a crisis unit with three representatives each from unions, employers and government.

The freeze on job cuts falls a long way short of the union's initial demand for a one-year moratorium.

Industry analysts had warned the government that a further 110,000 layoffs were likely this year.

"It would be foolish to believe that all the problems have been resolved during the summit, but hopefully it will lay the foundation of a lasting cooperation," said Energy and Mineral Affairs Minister Penuell Maduna. "There was not un-

animity on every topic, but there was a consensus on key issues."

The joint declaration said that mining companies would have to consult with the committee on any move to lay off more than 10 percent of their workforce "in any one year."

Half of South Africa's 20 gold mines operated at a loss during the last quarter of 1997.

The declaration also said employers had agreed to accept the retraining costs of retrenched workers, many of whom are from neighboring Mozambique, Lesotho, Botswana and Namibia.

Lynne Duke of The Washington Post reported earlier.

South Africa holds about 40 percent of the world's gold reserves and remains its largest producer. But that leading position — and the foreign exchange it earns — has been eroding slowly since 1970, when the mines produced 1,000 tons and accounted for 70 percent of world production.

That production level has fallen by half, and gold production now is at its lowest level since 1956, according to less than 25 percent of South Africa's foreign-exchange earnings.

Bobby Godsell, president of the South African Chamber of Mines and chief executive of Anglo-American Corp.'s gold operations, said at

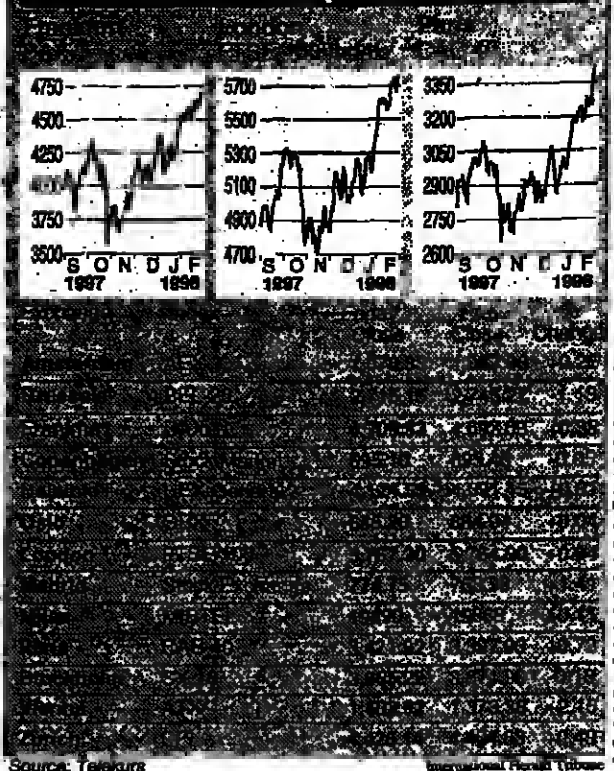
the meeting with the National Union of Mineworkers that many of South Africa's mines had been operating for 50 years and that the high-grade ore reserves to which they had rights were virtually tapped out.

Overall, there is as much gold still in the ground here as has already been mined. But the large investments needed to get to the remaining deep-level ore are not possible at current profit levels, industry experts say.

The fall of the price of gold below \$300 an ounce — from \$400 an ounce a year ago and a high of \$875 in 1980 — has squeezed profit margins at a time when South Africa has moved from being the world's lowest-cost major gold producer to its highest. Labor is among those high costs, for the mining work force is about 400,000 strong and politically powerful at the bargaining table because of its role in the 1980s in the apartheid system.

For many mines, restructuring for the sake of job preservation is "not economic at all," Mr. Godsell said. During a speech, he told the crowd of the industry's stark reality: "Generally, companies retrain some workers in the hope of preserving work for others."

# Investor's Europe



## Very briefly:

- Romania must cut spending and raise taxes to reduce its budget deficit before the International Monetary Fund will release the next installment of Budapest's standby loan, according to the lender's chief negotiator for the country.
- Russia's central bank is lowering its key refinancing rate by 3 percentage points, to 36 percent, as of Monday, according to the Interfax press agency.
- El Al Airlines should not be allowed to fly on the Jewish Sabbath or holidays after it is privatized, Transport Minister Shaul Yahalom said. He valued the carrier, whose sale he will formally propose to the government next month, at \$200 million but said it could sell for up to \$350 million.
- Alitalia SpA reported preliminary group consolidated net profit of 444 billion lire (\$247.7 million) for 1997 as its gross operating margin grew 50 percent. In 1996, the airline had a loss of 1.20 billion lire.
- Istituto Bancario San Paolo di Torino SpA, which is in merger talks with Istituto Mobiliare Italiano SpA, had a loss of 94 billion lire for the second half of 1997 as trading income declined and it wrote off bad loans. Full-year profit fell 73 percent, to 165 billion lire, against the previous year.
- Bayer AG will pay employees 35 percent of a month's salary as their 1997 bonus, 10 percentage points more than is stipulated in their contracts.
- Grundig AG said it retained access to Philips Electronics NV's patents through 2014 under the agreement that allows the Dutch company to give up management control of the German electronics maker.
- Credit Lyonnais shares soared 47 francs to 445 (\$73) amid speculation that buyers will flock to the French bank when the government puts its majority stake up for sale.
- Walt Disney Co.'s Disney Channel must be available to British cable viewers outside of package deals, the Independent Television Commission ruled. (Reuters, Bloomberg, AFP)

# Hoechst Pretax Profit Slumps in 1997 But Beats Expectations as Stock Soars

Compiled by Our Staff From Dispatches

FRANKFURT — Hoechst AG said Friday its 1997 pretax profit fell to 3.16 billion Deutsche marks (\$1.74 billion) from 5.15 billion DM in 1996, but the results were still well above analysts' expectations for the chemical and drug company.

The market had been braced for disappointing figures after a German magazine said it obtained Hoechst documents that put pre-tax profit at 3.07 billion DM. The stronger figures sent the company's shares up 4 percent, to close at 70.3 DM.

Sales rose to 52.10 billion DM in 1997 from 50.93 billion in 1996. Favorable exchange rate movements helped sales rise despite the

divestment of several Hoechst businesses.

Like its German rivals BASF AG and Bayer AG, Hoechst is reorganizing to focus on its most profitable businesses. Hoechst is selling its chemical units so it can focus on pharmaceuticals and farm products.

Hoechst said its flagship drug unit, Hoechst Marion Roussel, was facing tough times.

"Currently, we have virtually no patent-protected blockbuster," said Chief Executive Juergen Dornmann to the daily Die Welt. "We have to make do with our old product pipeline. New product launches aren't expected until 1999 and 2000." (Reuters, Bloomberg)

KINSHASA, Congo — Seeking opportunities amid the rubble left by the civil war last year, many French companies are returning to Brazzaville, capital of the Republic of Congo, according to diplomats here in the neighboring Democratic Republic of the Congo.

Until last year, the Republic of Congo, a former French colony, relied on France for everything from roads to pharmaceuticals to customs clearance. Then came the four-month civil war, which left thousands of people dead and brought General Denis Sassou-Nguesso back to power in October.

"The French businesses, even down to the florists, are all committed to coming back," a French diplomat said.

General Sassou-Nguesso, once a Marxist military leader, now espouses liberal economic policies

and wants foreign companies back in Brazzaville.

"Businessmen are queuing up to get an audience with Sassou," a diplomat said. "People are in and out of there the whole time, to such an extent that it must be difficult for him to pay attention to all of them."

Many French companies have sent delegations to Brazzaville to seek reconstruction contracts.

Diplomats said they included Suez Lyonnaise des Eaux SA and the telecommunications and engineering company Alcatel Alsthom SA. Neither company was available for comment.

Some business people doubt that there is any cash available for reconstruction.

"I can't see where the money is going to come from in the immediate future," said a businessman involved in building roads. The European Union has an ambitious

funding program, he added, but no money has been seen yet.

The Republic of Congo's state radio reported this week that France's Elf Aquitaine SA, influential in the African country's oil fields, had donated \$5 million for projects in Brazzaville. Elf's Paris headquarters could not confirm the report.

Big Lebanese-owned firms involved in frozen food, construction, real estate and air transport either never left or are returning to the country, but companies from few other countries are present.

Before he was overthrown, the Republic of Congo's former president, Pascal Lissouba, had sought to bring in South African partners, but there are now no takers.

"The country is dead for us," said Jan van der Venster, the outgoing South African ambassador to Kinshasa and Brazzaville. "The security conditions are not yet acceptable."

# WORLD STOCK MARKETS

Friday, Feb. 27  
Prices in local currencies.

Amsterdam High Low Close Prev.

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## ASIA/PACIFIC

## Japan Gropes for Strategy as Bad Data Mount

By Sandra Sugawara  
Washington Post Service

TOKYO — First came the news reports Friday that the Japanese government was considering tax cuts. Then came Prime Minister Ryutaro Hashimoto's slight backtracking, in which he ambiguously urged "caution" on the tax cut issue.

The chief government spokesman, Kanezo Muraoka, also spoke up, saying Tokyo would pursue both economic stimulus and fiscal reform. Most economists say the two goals are contradictory. The government will have to spend money to stimulate the Japanese economy quickly but cut spending to meet fiscal reform goals.

Since Japan came under pressure to stimulate its economy at the London meeting a week ago of finance ministers of the Group of Seven leading industrialized nations, Japanese officials have been sending out a litany of vague and often contradictory signals about what they intend to do.

The only economic target that Japanese officials have clearly stated is an intention to try to push the Nikkei index above 18,000 on March 31. Only six months ago, Finance Ministry officials were declaring that efforts to artificially lift stock prices were a thing of the past, that such efforts had no place in a deregulated financial market.

But faced with their economic crisis, officials are reverting to the old-time medicine. Mitsuo Horiuchi, the minister of international trade and industry, said Friday that he thought the government-run postal savings and insurance funds should be used to bolster stock prices.

Indeed a major goal of Tokyo's bank bailout plan was to get capital into weak banks before March 31, according to the governing Liberal Democratic Party. Details revealed this week show that few tough restructuring requirements will be placed on the banks and indicate that none of the major 18 banks eligible for the \$16 billion available will be turned down.

In fact, as word leaked out that some of the banks, pressured by a bribery scandal, were reluctant to apply for the money, party officials went to banks and insisted that they all participate. They fear that if only struggling banks applied, they might get negative publicity. The officials were underlined by the fact that only last year, the Finance Ministry had declared the convoy system — which required strong banks to protect weak banks — dead.

Market participants bid up stock prices Friday on the reports of a tax cut, despite Mr. Hashimoto's reluctance to embrace the idea publicly. The Nikkei 225-stock index rose 329.97 points or 2 percent, finishing at 16,831.67.

But because their optimism is based on so little, one analyst said, discouraging rumors could as easily knock the market down.

Meanwhile, the bad data continue to roll in. Job offers are falling, while the number of job-seekers is growing. Housing starts plummeted in January and are expected to continue to fall. Several major companies slashed their earnings forecasts. Ratings agencies continue to lower the credit ratings of Japanese companies. The number of bankruptcies has been increasing. Even the golf club membership price index compiled by the newspaper Nihon Keizai Shimbun continues to plummet, falling to its lowest level since 1984.

There was one bit of good economic news Friday for Japan: Auto exports rose for the 20th month in a row.

But the weak domestic economy lessens the potential for export growth for the rest of Asia, said Tim Condon, a Hong Kong-based regional economist with Morgan Stanley. "Domestic demand in South Korea, Thailand and Indonesia has been crushed," he said, by the policies of the International Monetary Fund, which include high interest rates and cutbacks in spending.

Exports are the one potential source of growth for these countries. But so far, export growth in much of Asia appears to be slowing, not rising. Mr. Condon said that is because Asian nations sell 40 percent to 60 percent of their exports to other Asian countries. Japan is a major market for them, but Japan is importing less and less.

Mr. Hashimoto told Parliament Thursday that Japan "is seriously working on what remedies it can bring to the Asia-Europe meeting" on April 3, leading to widespread speculation that an economic stimulus package would be ready by then.

Many economists expect the government to announce an economic stimulus package in the next few weeks, probably a combination of tax cuts and public works ranging from \$30 billion to \$50 billion. But few expect the package to generate much domestic growth.

"This will temporarily suspend the worsening of the economy," said Hisashi Yamada, senior economist with Japan Research Institute, a private research institution, "but it is unlikely to lead to a recovery."

"We need structural reform for real growth," he said, "but this process requires more pain in the next couple of years."

## China Set To Slash 4 Million State Jobs

Reuters

BEIJING — China plans to shed 4 million government jobs over three years as part of its boldest effort yet to streamline a bloated bureaucracy, state media reported Friday.

Chinese sources said the number of ministries and cabinet-level commissions would be immediately cut by around one third, leaving 29 out of the current 41.

A number of super-ministries would be formed, including a tentatively named Information Industry Ministry grouping telecommunications, electronics and the broadcast media.

The measures would be reviewed by the National People's Congress, or Parliament, as the economic czar, Deputy Prime Minister Zhu Rongji, steps up his campaign to eliminate obstacles to industrial and financial sector reform.

Mr. Zhu is tipped to replace Li Peng as prime minister at an annual meeting of the congress that opens Thursday.

The China Economic Times said that about half of the 8 million official positions at Communist Party and state bodies would be phased out.

It quoted Wang Dongxin, deputy minister of the State Commission for Economic Restructuring, as saying the jobs would be cut from a state payroll of 33 million people that also includes teachers, researchers and medical workers.

Central government alone — including the State Council, or cabinet — employs 48,000 people, far above its authorized limit of 31,000, Mr. Wang said.

Mr. Wang's commission was likely to be one of the casualties of the civil service downsizing, according to sources who cited a draft of the plan.

About 100 minister-level jobs would go as part of the restructuring, the sources said.

Broadly, the streamlining will spin off commercial enterprises under various government ministries. Regulatory functions of the ministries will be consolidated.

## Singapore Hopes to Bolster Businesses With Tax Package

Compiled by Our Staff From Singapore

SINGAPORE — Singapore announced tax cuts and other pro-business measures Friday as it faced a sharp economic slowdown, but maintained the corporate income tax rate despite widespread expectations of a reduction.

Warning that the full impact of the Asian financial crisis would be felt only this year, Finance Minister Richard Hu said prudence was the government's watchword in planning the budget released Friday.

"Our tax rates remain competitive and no major tax changes will be made against a background of declining revenue collections and rising development expenditures," Mr. Hu told Parliament.

"Although GDP growth is expected to slow down substantially this year, a decline to negative growth is not foreseen, so major stimulus initiatives are not contemplated at this time."

The budget contained a rebate of 5 percent on personal income taxes and

lower property taxes. It also contained higher tobacco duties.

But the private sector was hoping for a one-point reduction in the island's corporate tax rate of 26 percent. Instead, it received a package of tax relief measures that varied from sector to sector.

Despite slower economic growth and declining tax receipts, the government would manage a modest budget surplus of 2.73 billion Singapore dollars (\$1.67 billion) — a 46 percent drop from 1997's projected 4.8 billion-dollar surplus.

Mr. Hu said, "We are increasing capital expenditures, particularly in the key areas of education, economic infrastructure and defense, in order to invest for the long term."

The government also announced Friday a freeze on all sales of state-owned land for private residential development until mid-1998 amid a deep slump caused by oversupply in the real estate market. (AFP, Reuters)

## Societe Generale Reorganizes Yamaichi Asset Management

By Our Staff From Singapore

TOKYO — More of the collapsed Yamaichi Securities Co. empire was recycled Friday as Societe Generale Asset Management of France renamed the brokerage's asset-management unit and retained its top executives.

SGAM, a division of Societe Generale, is the majority owner of Yamaichi International, having bought 85 percent of the company in late January.

The company's new name, SCY Yamaichi Asset Management Co., will become effective April 1, pending approval of the Ministry of Finance, said Philippe Collas, the SGAM chairman.

In another step toward liquidating what remains of Yamaichi, the company closed 57 of its branches and laid off 2,345 employees.

Yamaichi, once the fourth-largest broker in Japan, began to fold in November under huge trading losses and massive debts. It will shut completely at the end of March.

SGAM plans to retain the Yamaichi unit's staff of 136 and hire an additional 22 Yamaichi Securities personnel. Merrill Lynch & Co., a U.S. broker, has also purchased part of Yamaichi and plans a 30-branch chain of Japanese brokerages.

On Friday, Sanwa Bank Co. said it had agreed to buy an 18.6 percent stake in Yamaichi Investment Management Co. Sanwa plans to use the unit to develop new pension-type mutual funds. (Reuters, AFP, Bloomberg)

## Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
15500	2200	19000
14000	1600	18000
12500	1500	17000
11000	1400	16000
9500	1300	15000
8000	1200	14000
6500	1100	13000
5000	1000	12000
3500	900	11000
2000	800	10000
500	700	9000
0	600	8000
1997	1997	1997
1998	1998	1998
Exchange	Index	Friday Close
Hong Kong	Hang Seng	11,480.69
Singapore	Straits Times	1,515.38
Sydney	All Ordinaries	2,697.40
Tokyo	Nikkei 225	16,831.67
Kuala Lumpur	Composite	745.26
Bangkok	SET	528.42
Seoul	Composite Index	548.42
Taipei	Stock Market Index	9,202.56
Manila	PSE	2,266.30
Jakarta	Composite Index	482.38
Wellington	NZSE-40	2,286.47
Bombay	Sensitive Index	3,622.22
		11,224.78
		1,594.95
		2,896.00
		16,501.70
		727.70
		524.06
		524.98
		9,229.19
		2,182.75
		483.81
		2,293.92
		3,571.63
		+2.28
		+1.28
		+0.05
		+2.00
		+2.43
		+0.83
		+4.46
		-0.29
		+3.83
		-0.30
		-0.32
		+1.42

## Very briefly:

• Bandai Co., a Japanese toy maker, is giving up on the Pippin Atmark, a videogame player with Internet capability that was jointly developed with Apple Computer Inc. Bandai will take a charge of 27 billion yen (\$209.5 million) as a result.

• Japan's housing starts fell 16.3 percent in January from a year earlier, to 88,207 units, the lowest level since January 1993. January's drop followed an 18.6 percent decline in December.

• Daiwa Bank Ltd. may be unable to recover an outstanding advance of 3.7 billion yen made to Suzuki Sangyo KK, which has filed for court protection from creditors.

• Bridgestone Corp.'s 1997 parent current, or pretax, profit rose to a record 100.17 billion yen from 93.61 billion yen a year earlier as strong U.S. demand for tires offset weak markets in Europe and Asia. The relative weakness of the yen helped exports, the company said.

• Taiwan and the European Union ironed out some major trade differences, but disputes over tariffs on cars and wine prevented the two sides from finalizing a deal during negotiations on Taiwan's bid to join the World Trade Organization. Taipei agreed to a series of liberalization measures to open its service sectors and cut tariffs on industrial products.

• Hong Kong's exports and re-exports dropped 4.1 percent from a year earlier, to 114.4 billion Hong Kong dollars (\$14.77 billion) in January. The government said the decline was likely due to the timing of the Lunar New Year.

• Hong Kong banks said they would leave savings and lending rates unchanged. There had been speculation that banks would take advantage of reduced interbank lending rates to entice prime rates soon and spur their retail business. The prime rate is currently 10.25 percent.

• Thailand's December current-account surplus widened to \$1.18 billion from \$997 million in November. Finance Minister Taksin Nimmahaeminda said the International Monetary Fund expected the Thai economic recession to bottom out during the second quarter of 1998. (AFP, AP, Reuters)

## MILITARY: Arms Contractors Wean Themselves From Pentagon

Continued from Page 1

of these recent mergers on America's military capability. And no one is saying that the United States is unprepared in its test of wills with Iraq. Still, there are concerns that, over time, what is being done for economic reasons today may have battlefield consequences tomorrow.

"Many of the things we do in peacetime for economic reasons in our defense consolidation could have a downside in terms of war preparedness," said Lauren Thompson, director of defense programs at the Alexis de Tocqueville Institute, a Washington research organization.

For instance, while the U.S. Navy has sufficient supplies of Tomahawk cruise missiles, the number of makers of these missiles has been reduced since the Gulf War from two to one. Raytheon says it has plenty of capacity to make the AMRAAM-Aim 120 air-to-air missiles used in the Gulf War. But what happens if a shortage occurs and the Pentagon can no longer turn to the only other AMRAAM supplier, Hughes Aircraft, because Hughes is now part of Raytheon?

"Industry consolidation has gotten to the point of increasing concern," Mr. Gansler said.

Meanwhile, there are some benefits, too. A new focus on the civilian business practices means that the Pentagon will be piggybacking more on existing commercial technologies rather than engage in the costly process of building from scratch. The military procurement budget, which pays for new weapons, fell from peak of \$97 billion in 1985, to \$44 billion today.

As a result, there are now significantly fewer Pentagon contractors bidding on any given military contract. The three prime contractors now represent about

two-thirds of all military product sales.

A report on these mergers prepared last May for the secretary of defense by the Defense Science Board, a civilian advisory panel, found that while there is "little evidence" of problems to date, military industry consolidation "poses potential concerns over time." Among them are fears that monopolistic practices could be "harmful to defense product cost, quality or performance" and that reduced competition could depress innovation, especially among smaller military suppliers.

A vision of the military contractor of the future exists just a few miles from the Pentagon in Bethesda, Maryland, where Lockheed Martin has grown by acquiring 22 weapons suppliers to become the nation's second-largest military contractor. Along with Boeing and Raytheon, Lockheed has been dubbed one of the "mega-dominant" defense companies, in industry jargon. Its \$28 billion in sales comes from the acquisition of such companies as Martin Marietta, Loral, Unisys Defense, and Ford Aerospace. It is currently seeking to acquire the Northrop Grumman Corp., the maker of the B-2 bomber, for \$8.3 billion.

Still, for all this consolidation, military contractors, which accounted for more than 80 percent of Lockheed's revenues in 1989 and for around 50 percent today, are expected to drop to 25 percent of revenues in the next decade as Lockheed branches into satellite, electronics, telecommunications, and information services for civilians.

"We will be a diversified, high-tech company that does defense work," Mr. Augustine of Lockheed said.

The company's strategy is to use technologies developed for the military to create new civilian profit-making uses. It formed a joint-venture with Intersput-

nik, an old Soviet-bloc satellite company, to orbit four Lockheed telecommunications satellites to broadcast into Russia, Eastern Europe, Asia and Africa. The company also formed a joint venture with Intel Corp. to market a 3-D graphics computer chip that Lockheed had developed for military simulations and that is now incorporated into Intel's personal-computer mother boards.

It is also embarking on a new program in which high-resolution satellite transmissions, once used for military surveillance, are being marketed to foresters, agribusiness, city planners, cable-television operators and anyone who needs and sophisticated topographical maps.

For some companies, like Boeing, mergers may temporarily increase their overall military dependence. Still, for most, commercial work is considered the growth area. In contrast, military contracts are seen as a steady revenue stream, often for 10 to 20 years.

Pentagon officials are convinced that future warfare will draw heavily from the high-tech innovations dominated by American enterprises. That allows military planners to assume that much of what they need can simply be purchased off-the-shelf and modified, if necessary, for the military. This can be less costly than items often made to needlessly complex military specifications, said Mr. Gansler, the defense undersecretary.

Of course, there will still be plenty of business in traditional military hardware. For the first time in a decade, the military procurement budget was not cut in the Defense Department's 1998 budget and the Pentagon is counting on it to rise to around \$60 billion by 2000. The 1998 military budget of \$255 billion — with around \$100 billion a year for procurement and research — makes the Pentagon one of the biggest customers around.

## DISPUTE: Asia Woes Bring Headaches Over Risky Derivatives

Continued from Page 9

"Any time there is litigation, you have to wonder how things will get resolved. This has the feeling of the tip of the iceberg in Southeast Asia."

Indeed, so loath are commercial and investment banks to invite regulatory scrutiny of their derivatives activities that almost all legal disputes about such contracts have been settled before going to trial.

Another issue vexing the derivatives market is how often the products are used to hedge risks, such as shifts in foreign-exchange or interest rates, and how often they are used merely as a high-octane form of gambling. The Morgan dispute clearly involves the latter.

According to court papers, Morgan and SK agreed in

February 1997 to enter into two derivatives contracts involving currency swaps.

A currency swap occurs when two parties sell each other currencies and agree to re-exchange the principal at a later date.

SK, betting that the Thai baht would rise, exchanged Japanese yen with Morgan in return for baht.

But when the baht crashed last summer, setting the Asian economic crisis in motion, SK's big bet on the baht proved to be a key part of a \$300 million blunder.

So did other currency plays that SK had incorrectly wagered on.

SK had a third derivatives contract with Morgan that left it with a \$189 million loss and is the subject of a separate court action in South Korea.

All told, SK and its guar-

antors have a potential liability to Morgan of \$489 million. SK has contended in papers in the South Korea case that Morgan failed to adequately inform it about the risks inherent in the derivatives contracts. When SK filed a similar claim against Morgan in New York two weeks ago, the judge derided the firm's argument and SK withdrew the claim.

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GAME 1	GAME 2	GAME 3	GAME 4	GAME 5
1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
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1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38



**Friday's 4 P.M.**

The 1,000 most traded National Market securities in terms of dollar value, updated twice a year.  
*The Associated Press.*

[illegible][illegible][illegible][illegible][illegible]

Year	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

**Friday's 4 P.M. Close**  
(Continued)

(Continued)

2009		DH VPE		1997-98		Localised Cope	
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99	15	15	15	15	15	15	15
100	15	15	15	15	15	15	15

Stock	On Day	PE	1985	High	Low	Latest	Change
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1-12	12	12	12	12	12	12	12
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1-14	14	14	14	14	14	14	14
1-15	15	15	15	15	15	15	15
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1-17	17	17	17	17	17	17	17
1-18	18	18	18	18	18	18	18
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1-97	97	97	97	97	97	97	97
1-98	98	98	98	98	98	98	98
1-99	99	99	99	99	99	99	99
1-100	100	100	100	100	100	100	100

[illegible]

Stock	DN	Y4	PE	100/165	Lowest Listed Corp
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114	114	114	114	114	114
115	115	115	115	115	115
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119	119	119	119	119	119
120	120	120	120	120	120
121	121	121	121	121	121
122	122	122	122	122	122
123	123	123	123	123	123
124	124	124	124	124	124
125	125	125	125	125	125
126	126	126	126	126	126
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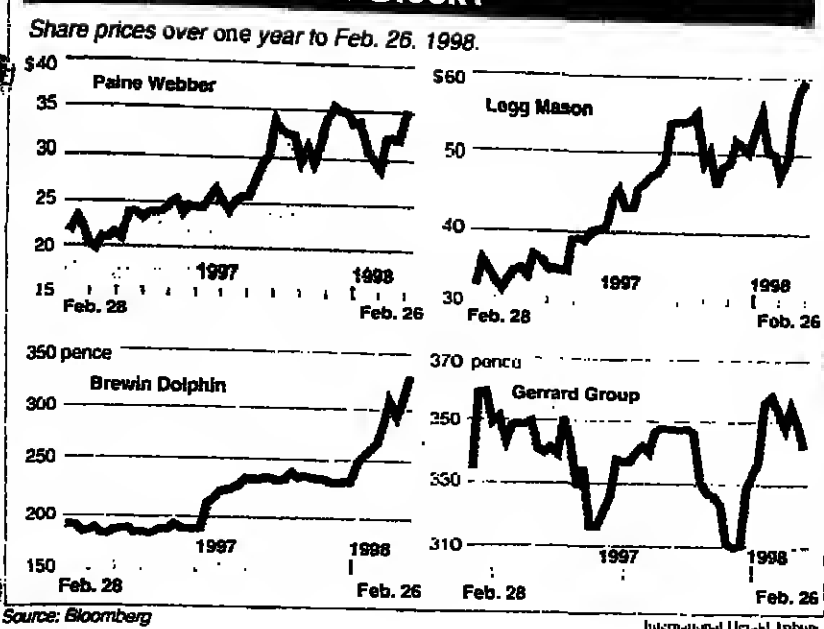


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**REPORT**

Website: www.iht.com/IHT/MONEY

**Brokerages on the Block?**



**Targeting Brokerages Before They're Targeted**

By Barbara Wall

**A**CQUISITIONS OF U.S. retail brokerage houses by banks and larger securities firms have been increasing steadily since the mid-1990s, and indications are that more may be on the way.

But investors will have to hurry if they want to capitalize on the investment opportunities in the sector, as some analysts have surmised that any remaining deals will have to be finalized within the next six to nine months in advance of the year 2000.

The acquisition by the retail brokerage Dean Witter, Discover & Co. of the more institutional Morgan Stanley Group Inc. last year fueled industry speculation that the independent PaineWebber Inc. might have to form some kind of alliance.

"There is no doubt that many U.S. brokerages would prefer to retain their regional franchises and continue in profit without giving up their independence," said Burton Greenwald, director of B.J. Greenwald Associates, a Philadelphia-based financial services consulting firm.

"But if they want to be global players," he added, "they may be forced to consider a merger, if only to raise funds for further expansion."

Mr. Greenwald said that the logical candidates for acquisition include PaineWebber, Bear, Stearns & Co. and Lehman Brothers Inc. "Many of the international banks are looking to broaden their retail distribution base and expand their product mix," he said. "It is those brokerages with a strong asset-management capability and investment-banking arm that are widely seen to be vulnerable to takeover bids."

**G**EOFFREY BOBOFF, president of Boboff Consulting Inc., a business consultancy for the money-management industry, said that if Goldman, Sachs & Co. were to follow Morgan Stanley's lead and join with a brokerage with a retail distribution capability, PaineWebber would be the obvious choice.

As one of the main shareholders of PaineWebber's stock, Fidelity Investments may also be interested in acquiring control in order to improve its market position, he added.

The other brokerage firms that are rumored to be potential candidates for acquisition include the regional concerns Legg Mason Inc., A.G. Edwards Inc. and Raymond James Financial Inc.

None of the three may be able to survive without the economies of scale into which their larger competitors can tap, especially in the area of computers, where the Year 2000 problem is an expensive consideration.

Mr. Boboff said domestic and international banks would seek to acquire these companies, "provided the stock valuations continue to look attractive."

Legg Mason has a good investment-banking operation and asset-management capability, which will attract interest from international buyers," Mr. Greenwald said.

A.G. Edwards is also a top-quality player with a small money-management capability and could be of interest to a domestic bank," he added, "though the company's chairman, Ben Edwards, has stated that he is not interested in the company being acquired. Raymond James, meanwhile, has a very strong distribution network by virtue of its financial-planning subsidiaries and could attract bids from both domestic and international banks."

Moody's Investors Service said last week that acquisition of securities firms by U.S. commercial banks was a good way for them to get into the underwriting business and maintain their relationships with important clients. It said the risks are limited because the transactions have been "relatively small, compared with the banks' capital and earnings."

Jeffrey Chen, a research analyst for DataMonitor in New York, said he expected many of the independent on-line discount brokerages to be acquired.

"Until recently, full-service broker-

age firms have been reluctant to move on-line for fear of cannibalizing their existing customer base," he said.

"However, due to high customer demand, many of these firms now look at Internet trading as a service they must offer in order to remain competitive."

"In developing an on-line trading program," he added, "two distinct strategies appear to have emerged: The first option is for an off-line brokerage firm to purchase an on-line brokerage firm, as seen in the acquisition of Lombard Brokerage Inc. by Dean Witter, Discover & Co. The second alternative is for a brokerage house to develop an automated trading program from the ground up, as done by Merrill Lynch."

Mr. Chen said that among the prime acquisition candidates are E\*Trade Group Inc. and Ameritrade Holdings Corp. "Both players have pursued a very aggressive advertising campaign and have experienced a huge surge in their stock price in recent months," he said.

**T**AKEOVER ACTIVITY presents investors with a tremendous opportunity for investment gains. With most financial-services stocks having already appreciated, however, there is a limited scope for further big gains.

"There are investors who will buy stock on the strength of a possible merger taking place," Mr. Boboff said.

"To a certain extent, this knowledge is written into the share price, but the acquirer will still have to pay a premium for the stock. It would not be unrealistic to expect the stock price to increase by between 20 percent to 25 percent if a merger or acquisition did go ahead."

There has been a flurry of merger activity in the European financial services industry in recent years, and the few remaining independent publicly quoted brokerage houses are largely based in Britain.

The companies considered most susceptible to takeover bids are those that concentrate solely on private client business. Players in this category include Brewin Dolphin Holdings PLC, Gerrard Group PLC — which includes the brokerage Gerrard Vivian Gray Ltd. — and BWD Securities PLC.

"Independent private-client brokerages in Britain are currently trading at discounts of around 25 percent to the market, with yields of between 3 percent and 5 percent," said an Edinburgh-based analyst who works for a large international bank and asked not to be identified. "If I was a private investor with a £100,000 investment portfolio, I would consider investing £10,000 in at least one of the three larger brokerage houses. My first choice would probably be Brewin Dolphin."

"It would have to be a long-term investment, however, as these companies are not traded frequently," he added, "and if the market was to suffer a downturn, it might be difficult to bail out."

**N**OT EVERYONE is bullish on this sector. Simon Davies, an investment manager with Berry Asset Management in London, said that it would be folly to buy a brokerage on the expectation of making a huge profit.

"A brokerage is a fairly risky investment and many analysts have said that the stock prices are already way too high," he said. "Then there is the problem of liquidity. If you are holding the investment for the long term, you have to be reasonably satisfied that any merger will actually add something to the company. There is no evidence to suggest that the merger between Gerrard Vivian Gray and Greig Middleton, for example, has improved services and the profitability of the new company."

"For every successful merger story in the money-management industry," he added, "there is usually at least one failure."

David Poutney, a financial services analyst with Pamure Gordon & Co. in Manchester, England, said that he would certainly not recommend a British brokerage to investors now.

"The best private-client brokerages were snapped up years ago, and the ones that are left are not even on the radar screen," he said. "Those investors who are tempted to buy one of these highly geared plays, when the market is clearly at the top of its cycle, frankly need their heads examined."

**Investing in Investors While You Still Can**

By Andrew Blum

**P**UBLICLY TRADED asset managers are a vanishing breed, being obvious takeover targets for banks and brokerage houses that want to expand their offerings or retail systems. With only a few dozen companies left in the industry, investors may want to place their bets on some of these stocks before it is too late.

About half of the remaining managers are in the United States, and most of the rest are in Britain and Canada. Asset managers with less than \$100 billion seem to be the most vulnerable to takeovers because they are too small to remain independent.

One of the biggest remaining American managers is T. Rowe Price Associates Inc., which has more than \$200 billion under management. It maintains that it is not for sale, but is often mentioned as a takeover target.

"We would like to remain independent," a company spokeswoman said. "It's in the best interests of the firm and shareholders." She attributed sale rumors to the fact that "there are so few public companies and there is consolidation going on and we're one of the largest mutual-fund companies."

United Asset Management Corp., which is not generally seen as a takeover candidate because of its multiple affiliates, just saw the value-investing guru Michael Price double his stake, to 10 percent. Through a spokesman, Mr. Price, whose own management company, Heine Securities Corp., was acquired in 1996 by the larger Franklin Resources Inc. for \$600 million, said the UAM stake was for investment purposes.

But Larry Sondike, senior vice president of Franklin Mutual Advisors, Mr. Price's division, said UAM would be an attractive property for someone to take over, especially if a company wanted to get into institutional money management, which is a big part of its business. The company could go for "a very high premium," he added.

A UAM spokesman said, however, that the company was not for sale.

Given such developments, identifying who is to be acquired next depends on whom you ask.

"The whole world is a candidate — at a price," said Neil Epstein of Putnam, Lovell & Thornton, a San Francisco-based financial firm that specializes in mergers and acquisitions of money managers.

If T. Rowe Price were to be bought, he estimated that it would be for a price of 10 to 15 percent above its \$4 billion market capitalization.

Geoff Boboff, president of Boboff Consulting Inc., said there had been constant rumors of a T. Rowe Price sale. If it were to be sold, he said, it would fetch a higher price than Mr. Epstein calculated.

"I believe to convince T. Rowe Price to sell, you might see a market premium of 30 percent to 40 percent," Mr. Boboff said.

High Yield Analytics Inc. of Chicago, which analyzes spin-offs, noted that stock in publicly traded asset managers in the United States traded at 20 to 25 times expected annual earnings. T. Rowe Price currently is near the top of that range.

In recent years, the deals have been many. According to Putnam, Lovell, in 1996 and 1997 there were 97 money-management industry acquisitions, of which 27 were by public companies.

Putnam, Lovell has handled such deals as the \$1 billion Pimco-Thomson Advisory Group transaction and the \$600 million New England Investment Cos.-Reich & Tang takeover. In 1997, it advised Montgomery Securities to sell its asset-management business to Germany's Commerzbank AG, one of several German banks buying U.S. private money managers.

"We are going through a period of

**Get Them While They're Hot**

Selected publicly traded asset managers

Manager	Ticker	Country
Administradora de Fondos de Pensiones	(PROVIDA)	Chile
Provida SA	(ADR: PVO)	U.S.
Alliance Capital Management	(AC)	Britain
Amvescap PLC	(AVZ) (ADR AVZ)	Canada
BPI Financial Corp.	(BPI)	U.S.
Bull & Bear Group	(BNBGA)	U.S.
Colonial Ltd.	(CGH)	Australia
Dundee Bancorp	(DBC/B)	Canada
Eaton Vance Corp.	(EV)	U.S.
Evergreen Canada-Israel Investments Ltd.	(EVER)	Israel
Exeter Investment Group PLC	(EG)	Britain
Franklin Resources Inc.	(FEN)	U.S.
Friends Ivory & Sime PLC	(FIS)	Britain
Investors Group Inc.	(IGI)	Canada
M&G Group	(MGA)	Britain
Mackenzie Financial Corp.	(MKF)	Canada
Mansion House Group	(MHS)	Hong Kong
New England Investment Cos.	(NEW)	U.S.
John Nuveen & Co.	(JNC)	U.S.
Perpetual PLC	(PER)	Britain
Pimco Advisers Holdings LP	(PA)	U.S.
Phoenix Duff & Phelps Corp.	(DUF)	U.S.
Pioneer Group Inc.	(PIOG)	U.S.
T. Rowe Price Associates Inc.	(TROW)	U.S.
Regent Pacific Group Inc.	(RPS)	Hong Kong
Savoy Asset Management PLC	(SAM)	Britain
United Asset Management PLC	(UAM)	U.S.
Value Line Inc.	(VALU)	U.S.

consolidation," Mr. Boboff said. "Money-management companies are today fetching very attractive returns."

He said, however, that he foresees more private transactions "because public transactions do not offer a premium over private transactions."

As an example, he cited banks like Commerzbank and Dresdner Bank buying U.S. firms that pay premiums calculated by observers to be eight to 10 times their cash flow, which is annual earnings before interest, depreciation and amortization.

The recent \$1.3 billion sale of LGT Asset Management was a hybrid of public and private transaction, a spokeswoman said. Liechtenstein's royal family, via the Prince of Liechtenstein Foundation, owned more than 99 percent of Liechtenstein Global Trust, while a fraction of its shares traded on the Zurich Stock Exchange. The family decided to sell its asset-management business to Amvescap PLC, in a deal that is expected to close at the end of May. LGT will then focus on its private banking business.

With \$66 billion managed, LGT's asset-management business was by no means small, but was too tiny to continue operating alone.

"In light of the rapid consolidating and merging of several large asset-management firms, we believe that LGT is no longer the best parent to further develop the considerable opportunities available to our asset-management business," Prince Philipp of Liechtenstein, the brother of Liechtenstein's monarch, Prince Hans-Adam II, said in a statement.

Amvescap is the holding company of the AIM Management Group Inc. and INVESCO PLC mutual-fund and asset-management businesses. It is a British company, but much of its staff and assets are in the United States. By buying LGT's money-management division, it is expanding in the United States and in other countries.

Milton Berlinski, a managing director of Goldman, Sachs & Co., said the public money-management sector had his share of companies that were not going to be acquired. Goldman was LGT's adviser in the Amvescap negotiations.

"The Franklin Resources and T. Rowe Prices of the world are positioned as survivors," he said, adding that their

products and size were such that they could compete with anyone. "They are positioned to be a consolidator — doing the acquiring."

In the case of T. Rowe Price, he said nobody was likely to mount a hostile takeover, because keeping the professionals at a management company was of paramount importance. Franklin has already acquired not only Mr. Price's firm, but in 1992 bought Templeton Funds, Mr. Berlinski noted.

Investors searching for overlooked U.S. managers might want to consider Pilgrim America Capital Corp. Jonathan Moreland of InsiderTrader said the company had just \$3 billion in assets under management but was profitable and might fetch about a 50 percent premium over its current stock price of \$26.75.

A well-known name but unlikely takeover candidate is Value Line Inc. The chairman, Jean Bernhard Buttner, who owns 80 percent of the company, is said to be reluctant to sell. The other 20 percent of the company, which produces investment research as well as managing funds, is publicly traded.

There are two minnows on the scene, Jordan American Holdings and H.D. Vest Inc. Jordan American has its roots in the Christian Purchasing Network, a seller of goods and services to church groups.

It manages about \$65 million of assets, and the president, Wallace Jordan, said he would like to either buy or be bought by another company, although he was not negotiating a deal. The company lost money in the first nine months of last year, but Mr. Jordan said he was hoping for better results in 1998, and he noted that the company had recently opened a new mutual fund.

HD Vest Inc. manages about \$1 billion of assets, and also provides brokerage and tax advice.

Although the industry has been consolidating at a hectic pace, a few new names are emerging. Goldman, Sachs helped Affiliated Managers Group Inc. come public at \$23.50 a share in November, and its shares are now trading at \$36.875. Like UAM, however, it has majority interests in smaller companies, which likely would discourage potential acquirers.

Some coming spin-offs, meanwhile, include Waddell & Reed Financial Inc., which has about \$20 billion under man-

agement and is now owned by Torchmark Insurance Co., Mr. Boboff said. He also mentioned Kansas City Southern Industries Inc.'s plans to divest its mutual-fund division, which owns the Janus and Berger funds.

In other countries, there is action as well. Mr. Boboff said. Henderson PLC, a British company traded on the London Stock Exchange, has entered into an agreement to be acquired for more than \$600 million by AMP Asset Management Ltd., an Australian-based fund-management and insurance company. Henderson manages about £14 billion (\$22.9 billion).

Of the remaining independent fund-management groups in Britain, Perpetual PLC, M&G Group PLC and Edinburgh Fund Managers are rumored to be in line for acquisition.

This week, the price of Perpetual stock exceeded £32 for the first time, yet, according to observers, Perpetual's operating fundamentals are poor.

An analyst who follows the sector said Perpetual was under pressure to cut its fees, which are at the top end of the sector's range. This will undoubtedly put a strain on its profit margin, he added, but the expectations are that Perpetual will be bought and that the share price will move higher as a result.

M&G also has problems. In recent years, its market share of unit trust funds has dropped from 11 percent to 3 percent. But it is rumored that Abbey National PLC may be interested in acquiring the fund-management group. Abbey National has set up a wealth-management division, and in a recent statement, the bank cited plans to increase exposure in this area via an unspecified strategic alliance.

Edinburgh Fund Managers has largely been ignored by the industry, but one Edinburgh-based analyst said that with £7 billion in funds under management and steadily improving investment performance by the group, it will likely be the target of a takeover bid within the next 18 months.

"The rating of Edinburgh Fund Managers is way below the average of other quoted groups in this sector, largely because of its poor investment performance in the past few years," said the analyst, who asked not to be identified. "But the group will inevitably attract interest from a domestic or international bank that is looking for new distribution channels."

In Asia, the purest fund-management investment is Hong Kong's Regent Pacific Group Ltd., which in recent years has made most of its money investing in the booming markets of Eastern Europe. With \$2.3 billion under management, its list of offices worldwide indicates the company's strength: Almaty, Kazakhstan; Barbados; Bucharest; Hong Kong; Isle of Man; Kiev; London; Moscow; Tokyo and Warsaw.

Beulah on Hong Kong since 1994, Regent was finally vindicated late last year. It calls recent gains in Hong Kong and China a "sucker's rally," is short in many other Asian markets and for the moment is picking up cheap, hard assets in Asia on the theory that currencies in the region will eventually recover.

This week, Regent paid \$10 million for 22 percent of South Korea's Daeyu Securities Co. and it has also purchased 300 new, unoccupied apartments in Indonesia for \$4 million. At \$13,300 per apartment, the purchase could be the deal of a lifetime — unless Indonesia disintegrates.

Regent's stock soared after it listed in May. Since the crash in Hong Kong in October, the stock has fallen despite consistent share buy-backs by the company. Regent stock is now at 2.35 Hong Kong dollars (30 cents) down 8.7 percent from its issue price.

Hong Kong's other listed fund manager is Mansion House Securities Ltd., but this company also does brokerage and custody business. Like several other

Continued on Page 17

**Risks Outweigh Rewards in Insurance Shares**

By Aline Sullivan

**F**OR AN INDUSTRY that in the past has defined the word stable, the recent frenzy in insurance-company stock prices has gotten out of hand, analysts said, and they warned investors to steer clear of this highly valued industry because it is facing the prospect of lean times.

Premium rates in most lines of insurance and reinsurance are deteriorating, according to Christie Brockbank Shipton, an agent for members of Lloyd's of London. At the same time, some of the biggest players will be struggling for months to digest recent acquisitions.

At present, however, share prices continue to be supported by investor speculation that consolidation will accelerate. Small- and medium-sized companies everywhere are being winnowed out by those able to offer global services to their increasingly international clients.

Elizabeth Farrell, senior financial analyst at A.M. Best in New Jersey, expects consolidation to continue.

"With more than half the property/casualty industry controlled by the top 20 insurance groups, the remaining businesses must be shared by the other 1,100-plus insurance organizations," she said. "That creates a very competitive market."

That trend has been good news for companies whose potential as bid targets has distracted investors from their exposure to discouraging market conditions. For example, shares in several Swiss companies, such as Helvetica-Patria Holding, Baloise Holding Ltd. and Schweizerische Lebensversicherungs- und Rentenanstalt, surged in recent weeks as investors identified them as possible takeover targets.

But some analysts warned that much of this potential has long been priced into the shares. If that is the

case, there does not seem much reason to hold the stocks. Each of the three companies is considered too small by industry analysts to survive long on its own.

As takeover frenzies go, this insurance version has been unusual, with shares in both the target and bidding companies having mostly risen since the deals were announced. That is because most of the deals have made strategic sense for both parties, analysts said. But they do not justify high share values across the board, they warned.

"Since mergers and acquisitions activity by its nature is sporadic, the stocks gains provided by the industry's consolidation will also be sporadic," said Jay Cohen, insurance analyst at Merrill Lynch & Co. in New York.

"The industry's results last year were great, but are not sustainable. Stick to those companies that are growing despite the difficult fundamentals or those companies that are creating value through restructuring efforts."

Top on many analysts' lists is Aon Corp., perhaps the most voracious of the insurance brokers. In February, the Chicago-based firm announced plans to buy both the third-largest French broker, Le Blanc de Nicolay, and Spain's largest retail and reinsurance broker, Gil & Carvajal. In January, it bought the shares it did not already own in Societe Generale de Courtage d'Assurance de France.

This spending spree follows other major acquisitions over the past two years: Germany's biggest broker, Jauch & Huebner; the British brokers Bain Hogg Group and Minnet and, most significant of all, the U.S. behemoth Alexander & Alexander Services Inc.

Aon's purchases have put it on equal footing with the U.S. broker Marsh & McLennan and well ahead of Britain's Sedgwick Group PLC and Willis Corroon PLC. The playing field would be leveled again if, as many analysts expect, Sedgwick and Willis merge.

Left intact, small- and mid-sized insurance brokers

have the most to lose as pressure on their profit margins mounts from clients anxious to reduce transaction costs, analysts said. Only the biggest are able to offer multinational companies the complete risk-management service now in demand. They have accomplished this by taking over or squeezing out local brokers.

No other sector of the insurance market has seen consolidation on the quite the same scale as the brokerage sector, although reinsurance runs close. Munich Re, the world's biggest reinsurer, began the process in 1996 with the acquisition of American Re. Swiss Re, the second-ranking global reinsurer, followed suit in 1997, snapping up Mercantile & General Re, the leading British reinsurance company.

Reinsurers have profited from a low incidence of catastrophes in recent years, analysts said. This contrasts with the late 1980s and early 1990s, which saw a spate of natural and man-made catastrophes, culminating in 1992 with Hurricane Andrew's devastation of Florida, which cost the insurance industry \$15 billion.

The problem with the recent unusually quiet period is that when it ends, the deficiencies in the current premium rating structure for reinsurance will be revealed, analysts warned. Rates for most classes of reinsurance business have been falling steadily since 1994.

The outlook for insurers with lower catastrophe exposures is rosier. In Europe, personal-lines insurers with a Continent-wide presence should profit from European monetary union, which is set for 1999.

Commercial Union and Guardian Royal Exchange PLC hope to expand across borders and sectors. Commercial Union PLC, which this week announced a mega-merger with General Accident PLC, also recently bought the German life insurer Berlinische Lebensversicherung, while Guardian took over PPP Healthcare, Britain's second-largest private medical insurer.



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## Chaplin Should Have Stayed Silent



By Judith Rehak

"It's just a harbinger of what's to come," said Bryan Crossley, a banking analyst with ABN-AMRO Holding NV. His recommended list includes Banca Commerciale Italiana SpA, which has been unsuccessfully scouring merger partners.

"It is still the case that it has to do a deal, because everybody else has done one, and it has fallen behind its main rival, Credito Italiano, which acquired a bank two years ago and has gained critical mass and cut costs," said Mr. Crossley.

The prevailing wisdom, he added,

Tom Finnuane, who co-manages the closed-end fund, likes Firstar Corp., a bank in Milwaukee, Wisconsin, that also operates in Iowa and Minnesota, and is seen as a takeover target by a larger bank in the region. At its recent price of \$42 a share, he said, "it's a bit expensive, but an acquirer would pay a premium to that."

The other leading banks are Overseas Union Bank Ltd., United Overseas Bank Ltd. and the proposed Keppel-Tat Lee merger.



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## Continued from Page 15

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## WORLD ROUNDUP

### Swede Keeps Lead

**GOLF** Robert Karlsson of Sweden shot a 6-under-par 66 Friday to increase his lead to three strokes after the second round of the Desert Classic in Dubai. Karlsson has a 13-under-par total of 131. Ernie Els, who shot a 63, and Ignacio Garrido were tied for second at 134. Two strokes back tied for fifth was Seve Ballesteros, after a second straight 68. (Reuters)

### Kafelnikov Survives

**TENNIS** Yevgeni Kafelnikov, the No. 3 seed, reached the semifinals of the London indoor tournament Friday with a 4-6, 6-4, 6-2 victory over slumping Tim Henman. Henman held a break point at 4-4 in the second set, but after he failed to convert it he won only two of the remaining 10 games. (AP)

### Pakistan Holds Edge

**CRICKET** Shaun Pollock and Allan Donald, two fast bowlers, added 53 runs for the last wicket Friday to carry South Africa to 231 in its first innings on the second day of the second test against Pakistan in Durban. Shoaib Akhtar, a 22-year-old fast bowler, took five wickets for 43 runs. Pakistan, which led by 28 on the first day, scored 11 without loss by the close.

Matthew Horne and Nathan Aspinall made centuries as New Zealand reached 441 for nine wickets in its first innings against Zimbabwe in Auckland, a lead of 271. (Reuters)

### NFL and Players Set Deal

**FOOTBALL** The National Football League and its players, after months of intense and sometimes nasty negotiations, agreed Thursday in principle to an extension of the collective bargaining agreement through the year 2003. The deal extends the salary cap to 2002. It has to be approved by a majority of players and by three-quarters of owners. (NYT, WP)

### Red Wings Keep Fedorov

**ICE HOCKEY** The Detroit Red Wings on Thursday matched the Carolina Hurricanes' \$38 million, six-year, contract offer for Sergei Fedorov. Fedorov, who had refused to play for Detroit this season under his existing contract, returned to the team Friday. (AP)

## Coach Bird Burdened By Greatness as Star

Fans Wonder if His Aura Can Inspire Pacers

By Ian Thomsen  
International Herald Tribune

ORLANDO, Florida — Larry Bird tries to blend in with his surroundings. His body language is passive and his eyes cast downward as he enters any kind of public room. In this case the room was the 17,248-seat arena in Orlando, built a decade ago to the specifications created by Bird's rivalry with Magic Johnson.

His players were warming up two hours before the game, and Bird sat uncomfortably in a coach's chair too small for him and watched practice shots juggling around the rim.

With the gym empty of fans, the rookie coach was doing some of his best work. Like a sommelier making his first judgments with a sniff of the cork, Bird

Now 41, Bird is having the same impact he enjoyed as a rookie player. Recently he was invited for the 13th time to the All-Star Game — and showed up in a coat and tie, which still looks as odd on Bird as a basketball uniform would look on Prince Charles. Bird was so honored because he had coached his Pacers to the best record in the Eastern Conference. Last year, before he took over, they were 39-43 and missed the playoffs.

This particular group seems made for him. The Pacers are one of the most experienced teams in the league. The team had made the playoffs for seven straight seasons before last year. Bird has worked them hard but hasn't had to raise his voice — not in public, at least. Led by Reggie Miller, who is 32, and Mullin, 34, they understand that this might be their last chance to win a championship, and their faith is in Bird to lead them there.

Bird carries a heavy weight in his sport. As he tells it, he returned to the NBA after a five-year absence because he had run out of ways to pass the time — rising at 4:30 in the morning to go jogging and playing golf in the afternoon. His 6-year-old son, Connor, had asked, "Daddy, what is your job, anyway?"

He swears he will never coach another team after he's finished with the Pacers, who are based in Indianapolis, just a couple of hours from his fabled hometown of French Lick (population 2,164).

He might admit to having fondled slightly in retirement, but the fans view him through the lens of memory. As he walked across the floor shortly before the game their cheers were like an echo six years old. You had only to look at their faces and the high price of their tickets to appreciate that many of them are fans because of the work Magic and Larry did in the 1980s.

When fans complain that the younger NBA stars lack in charisma or virtue, there is a little truth in it, for sure. But it also smacks of middle-aged grouching. The Bird-Magic rivalry created unprecedented interest, which in turn priced a new generation of fans out of the arena. The people who cheer loudest for Bird are the same ones who keep attending Rolling Stones concerts.

Everyone who knows Bird is looking forward to spring, when the playoffs are under way. Can he endow the team with his spirit? Rarely are coaches' tactics credited in NBA championships, but the fans aren't thinking Bird will win with tactics. They're wondering if his players will eventually play like his ghost.

Ian Thomsen is a senior writer for Sports Illustrated.



The Spurs' Tim Duncan dunking over the Pistons' Chauncey Billups.

## Heat's 3-Point Accuracy Burns Mavericks, 91-72

The Associated Press

The Miami Heat made 59 percent of their 3-point shots to rout the Dallas Mavericks, 91-72, and extend the NBA's longest winning streak to eight games. Miami made 10 of 17 shots from 3-point range Thursday night and beat the Mavs for the 12th straight time. Dan

fifth straight loss.

Rockets 118, Timberwolves 96 In Houston, Hakeem Olajuwon scored 20 points, giving him 24,000 for his career, as the Rockets beat Minnesota to end a three-game losing streak.

Kareem Abdul-Jabbar has the record for most career points, with 38,387. Michael Jordan is the leading scorer among active players, with more than 28,500 points.

Suns 97, Raptors 86 In San Antonio, Tim Duncan had 24 points and 11 as San Antonio won for the fourth time in six games without ailing David Robinson.

Jazz 104, Bulls 97 In Salt Lake City, Karl Malone had 28 points and 17 rebounds, and Chris Morris scored 20 points as Utah won for the eighth time in nine games.

Wizards 110, Warriors 87 Chris Webber scored 26 points and Tracy Murray 24 as Washington routed visiting Golden State.

### NBA Roundup

Majerle was 4-of-7 from long range, including his 1,000th career 3-pointer.

Knicks 102, Bucks 90 In New York, the injury-depleted Knicks received a boost from reserves Brooks Thompson and Terry Cummings against Milwaukee.

Thompson scored a season-high 11 points and helped the Knicks pull ahead for good in the second quarter. Cummings had a season-high 18 points.

Nets 102, Kings 99 In New Jersey, Sam Cassell had 25 points and 10 assists as New Jersey handed Sacramento its

## Conspiracies For Records Not Always A Class Act

By Mike Wise  
New York Times Service

As the last few minutes ticked away last April 14 in Philadelphia, Bruce Bickerstaff watched dispassionately from the sideline. The rookie Allen Iverson, on instruction from his coach, had hoisted another 3-pointer in a game the 76ers would lose by 21 points.

Bickerstaff, the Washington coach, had had enough. Wanting the game to over, he told his players to back away and let Iverson, who was trying to keep his string of 40-point games alive, shoot unobstructed.

"I understood what it meant for Allen and the organization, but I just wanted to get out of there," said Bickerstaff, whose team won the game, 131-110. "They kept calling time-outs to set up plays, and we were blowing them out. I didn't understand that. I was only upset because the game should have been over with."

From grooved fastballs to frivolous time-outs to free layups, the notion of athletes and teams conspiring to bolster or break records is hardly new. Sometimes it works and sometimes it doesn't. Often enough, there are bruised feelings.

Perhaps nowhere is the phenomenon

more prevalent than in the National Basketball Association, where several recent incidents have something in common with the Connecticut-Villanova women's basketball game Tuesday night.

In that contest, UConn's injured star,

Nykesha Sales, was allowed to come out on the floor with a ruptured Achilles tendon and, with consent from the opposing Villanova team, to become the school's career-leading scorer by putting in an unconscionable layup.

But cooperation was not the theme on Jan. 12, 1996, when the Knicks were on their way to a comfortable victory over Boston. The former Celtics coach M.L. Carr began calling time-outs to make sure that Dana Barros, who had made at least one 3-pointer in 39 consecutive games, kept his streak alive.

The former Knicks coach Don Nelson did not have a problem with the strategy, but he was going to have fun at Boston's expense and make sure Barros made the shot with a hand or two, or three, in his face.

In what deteriorated into bad comedy, he told the Knicks to begin double- and triple-teaming the small Celtics guard. Barros took several off-balance shots from behind the 3-point line — none of which went in. Nelson and the Knicks left the court like mischievous kids who had pulled off a prank.

Carr was incensed. He asked an official for the game ball, walked toward Nelson and lobbed it at his head from behind as he left the court. "It was a milestone for Dana, just like it was a milestone for Nykesha," Carr said Wednesday. "Dana will remember that forever, but for different reasons than he should have. Class was involved in both situations. One was a class act, and the other was no class."

Two months after the Barros incident, Orlando's Anthony Bowie called time-out with 2.7 seconds to go in a game that the Magic had already wrapped up. The reason? Bowie wanted one more assist to give him his first triple-double. The Detroit coach Doug Collins was so angry that he waved his team to the side of the court; Bowie got his assist, but with no Piston anywhere in sight.

## BYU Goes Into Pit And Causes a Shock

The Associated Press

Brigham Young shocked No. 16 New Mexico, 83-62, in Albuquerque to end the Lobos' 41-game home winning streak.

BYU (8-20, 3-10 Western Athletic Conference) hit a season high 12 3-pointers Thursday to beat New Mexico (21-5, 11-2 WAC) and become the first visiting team to win at The Pit since Jan. 27, 1996, when Utah won, 82-64.

No. 5 Utah 71, Texas-El Paso 49 Michael Doleac had 15 points as No. 5 Utah won at Texas-El Paso. Utah (24-2, 11-2) came into the game trailing New Mexico by one game in the WAC's Mountain Division. New Mexico's loss set up the divisional showdown when the Lobos visit Utah on Saturday.

No. 2 Arizona 76, California 73 Michael Dickerson scored 21 points in the second half, helping Arizona (25-3, 10 Pac-10) extend the nation's longest winning streak to 18 games.

## POETIC INJUSTICE By Cathy Millhauser

### ACROSS

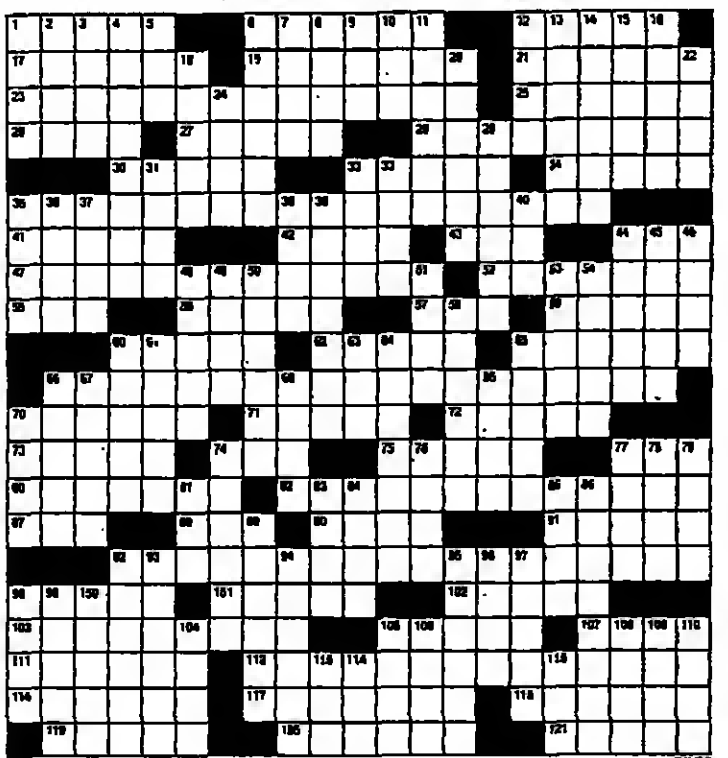
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- 13 Pesky insect

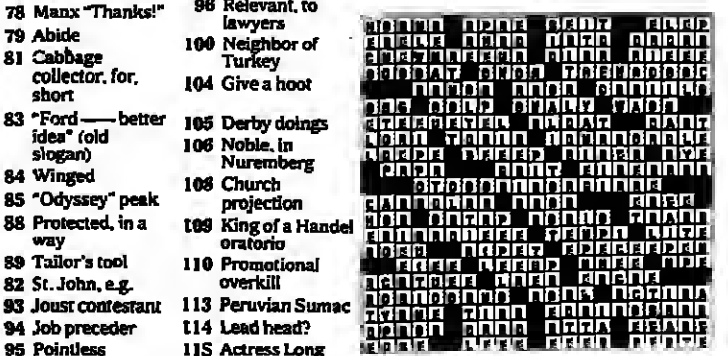
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### Solution to Puzzle of Feb. 21-22



## Africa's Soccer Dreamers Neglect to Read Small Print

Reuters

OUAGADOUGOU, Burkina Faso — The dream of becoming another George Weah or Nwankwo Kano has turned into an ordeal for many African players.

Dozens of Africans play in European professional leagues but for many the experience has been a bitter one. In their eagerness to get away from poverty, many sign for European clubs without bothering to read the contracts. Many find they are playing in leagues below their standard, earn far less than they expected or are tied to clubs by long contracts.

Many of the stars of the African Nations Cup tournament, which ends in Burkina Faso on Saturday, play in Europe's lower divisions. Seydou Traore, a midfielder, was one of the stars for the host nation's surprising run to the semifinals of the competition. He plays his club soccer in the French fifth division.

Charles Akonnor, a 23-year-old Ghanaian star, is nearing the end of five years with Fortuna Cologne in the German second division. Akonnor says that when he signed the contract he thought it was for two years, not five. Last year, he went in court in an attempt to win his release but lost the case.

"I had problems with my contract and I wanted to make a change after I received an offer from Kaiserslautern," he said. "I was very young and eager to go to Europe and play when I signed. I put all my trust in an African agent. I didn't understand the German language."

A Dutch agent, who asked to remain anonymous, said many players

suffered the same fate. "They are so desperate to go that they sign anything without understanding or even reading it," he said. "They think they are being offered a fortune. But they don't realize that they will have to pay rent and they haven't a clue about tax."

"Then they send all their money back home. They support their family, their cousins and their friends and often don't make a penny themselves. They struggle to pay their own bills."

"There are many agents who don't worry about whether the club will be suitable for the player. Quite often, the coach doesn't want them and puts them in the reserves."

"Germany is the wrong place for a young African in any case to go because of the racism problem. Belgium or France is far more suitable."

Akonnor said most of his salary went back home. "You have to support your family," he said.

Hossam Hassan of Egypt, the joint top scorer in the tournament, left the Swiss team Nanchatel Xamax because of his contract. "I hadn't really understood what I signed," he said. "Things are changing. The players are getting more used to this situation and they are becoming more careful. I don't think this problem is as bad as it used to be," said Akonnor.

Congn took third place in the African Nations Cup after beating host Burkina Faso in a penalty shoot-out Friday. Burkina Faso had led 4-1 after Ibrahim Talle scored in the 86th minute. Congn scored three times in the next four minutes to tie the game 4-4. Extra time was scrapped and the teams moved straight to a shoot-out.

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## SPORTS

# New Coach For Rangers Starts Off With Victory

The Associated Press

With Wayne Gretzky on top of his game, John Muckler came out on top in his coaching debut with the New York Rangers.

"Wayne Gretzky was just amazing," Muckler said after the Rangers' 5-2 victory over the Toronto Maple Leafs on Thursday night.

## NHL ROUNDUP

Gretzky, the NHL's career leading scorer, had three assists for the 140th time in his career.

It was like old times for Gretzky and Muckler, who was on the coaching staff in Edmonton for all four of Gretzky's Stanley Cup victories. Muckler was hired to replace the fired Colin Campbell during the Olympic break.

Muckler watched his new team score more than three goals for the first time in 14 games.

Devils 4, Lightning 1 Dave Andreychuk and Bobby Holik scored power-play goals to help New Jersey beat Tampa Bay for its fifth straight victory.

The Devils were in a 1-for-16 power-play slump on the road before going 2-of-7 against the Lightning.

Holik's goal, his 24th on a shot from the left circle, broke a 1-1 tie in the second period. He added an empty-netter with 36.5 seconds left as New Jersey stretched its unbeaten streak to six.

Bruins 1, Sabres 1 With Dominik Hasek taking a post-Olympics break,



Coyotes in an Avalanche: A referee, Jay Sharrers, right, separating Phoenix and Colorado players during a second-period pileup in Denver.

Boston's Byron Dufour and Buffalo's Steve Shields put on a goal-scoring clinic in Boston.

Dufour stopped 20 Sabres shots, losing his shutout bid when Alexei Zhitnik's shot was deflected through his legs with 46 seconds left. Shields made 32 saves, allowing only Ted Donato's goal in the second period.

Avalanche 3, Coyotes 0 In Denver, Patrick Roy stopped 27 shots for his 40th career shutout as Colorado completed a back-to-back sweep of Phoenix.

The Avalanche beat the Coyotes, 4-2,

Wednesday night in Phoenix.

Kings 7, Blackhawks 4 Glen Murray scored twice in a four-goal first period to lead Los Angeles to victory in Chicago.

Sharks 3, Blues 1 In San Jose, Mike Vernon stopped 26 shots as the Sharks beat St. Louis, which lost goalie Grant Fuhr in the second period with a knee injury.

Fuhr strained a ligament in his right knee while stretching to stop a shot. He came out of the game in the second period, having allowed three goals on 17 shots.

# Verplank Plays Golf 'by the Rules'

## Diabetic Player Waives His Right to a Cart and Walks Course

By Bill Plaschke  
Los Angeles Times Service

VALENCIA, California—He was at the course at 5:30 A.M. Thursday, hitting practice drives under a spotlight, riding a stationary bike, stepping to the first tee just after dawn.

Then, for 18 holes, Scott Verplank, a diabetic, did what he always has done on the Professional Golfers Association Tour, though he knows he would play better if he didn't.

He walked.

"Doctors say I have more reason than anybody to ride a cart," he said after shooting a 3-under-par 68 to finish among leaders in the first round of the Nissan Open at Valencia.

Sitting in the midday quiet of the locker room, he put his hands on his knees and stared at his shoes, sighing, weary. "But I won't do it," he said. "It's not the way the game is supposed to be played."

Meet the next Casey Martin, the anti-Casey Martin. He won't ride a cart, he says, because it's cheating. He says he knows this because, well, he has cheated.

In December, after Martin won the right to ride a cart in the Tour's six-round qualifying school, Verplank threatened legal action if everyone was not afforded the same opportunity. Officials relented and allowed all 168 golfers to use a cart.

Verplank was one of about 20 players to accept the offer. He won the tournament by six strokes.

"Never felt better," he said. "I would have loved to have the tournament I think so. But would I have won it by so much and felt so good? No way."

He says the grueling week in central Florida was so much fun, he wished a certain Oregon judge could have been there. "While everybody else was standing

around and waiting to hit their next shot, I was sitting in my cart with my feet up," he said. "I was only going to ride for a couple of rounds, but I got a nine-stroke lead and thought, what the heck? Why change a good thing?"

Afterward Verplank parked his cart, picked up his Tour card, and vowed never to ride again. "It's a farce to say that 'having a cart doesn't change things,'" he said. "Because it does."

You tell him you agreed with the judge who this month ordered the PGA Tour to allow Martin to ride a cart in Tour events. You ask him to explain why, if a cart has so much effect, don't more players ride them on the Senior PGA Tour?

"It's just not the way they were brought up; it's not who they are," he said. "I'm the same way."

Verplank, 33, became a full-time pro shortly after winning the 1986 NCAA championship for Oklahoma State. In 11 years since then, he has won two tournaments, none since 1988. He has never won more than \$366,045 in a season, which is less than a first-place check at many tournaments this season.

As a golfer he needs all the help he can get. Furthermore, he has been battling diabetes since age 9. He is the only diabetic on the PGA Tour and takes three shots of insulin daily. He eats several meals, even on the course during tournaments.

"My golf bag is like a grocery store," he said. The black-and-white monstrosity is filled with crackers, raisins, sandwiches, granola bars. Usually there is enough food to keep his blood sugar in check. But when there is not, he can play two or three holes in a haze, sometimes shaking. "I'm just drained," he said.

As if those situations weren't enough to warrant a cart, then there are the blisters. Verplank said that like any di-

abetic, foot conditions can become exacerbated because of circulation problems. "Casey Martin talks about losing a leg. Well, with diabetes, I could lose my leg and my life," said Verplank, who has also had three elbow operations.

Yet when he met here with Tim Finchem on Wednesday, and the PGA Tour commissioner asked what he was going to do about the cart situation, Verplank answered in one word: Nothing.

"I told him that for now, unless my health declines or the Tour loses the appeal, I'm walking," he said. "Golf is the one sport where everybody is not out there trying to get around the rules, and I'm proud of that, and I want to keep it like that."

Taught golf by his grandmother in Texas, subjected to scolding if he was ever less than a gentleman, Verplank does more than merely talk the rules.

A couple of years ago in Japan, he fell out of a tie for a tournament lead with four holes remaining when he penalized himself a stroke for an infraction that nobody had seen but him. His ball had moved an almost imperceptible amount when he placed his club on the ground behind it before a short putt. "Hardly anybody spoke English, so they didn't understand what I was doing," he said. "I kept saying, 'I got a bogey' and they kept shouting, 'No, par, par.'"

Then there was the time he played the wrong ball from the rough, but because his partner was using the same ball, nobody noticed. But Verplank did, and much to his caddy's surprise, announced his mistake and two-stroke penalty. It dropped him from 12th to 66th.

And Casey Martin? What does Verplank wish for Casey Martin?

Well, he's never actually met him. "As a human being, I admire his courage," he said. "But golf is about the integrity of the playing rules."

# SCOREBOARD

## BASEBALL

## EXHIBITION BASEBALL

Minnesota 3, Toronto 1  
Oakland 5, Milwaukee 4  
Colorado 11, Chicago White Sox 8

## BASKETBALL

## NBA STANDINGS

## EASTERN CONFERENCE

## ATLANTIC DIVISION

W L Pct GB  
Miami 21 18 .538 0  
New York 20 19 .512 1  
New Jersey 19 20 .488 2  
Orlando 18 22 .450 4  
Washington 17 23 .425 5  
Boston 16 24 .400 6  
Philadelphia 15 25 .375 7

## CENTRAL DIVISION

Chicago 21 17 .550 0  
Indiana 20 18 .526 1  
Atlanta 19 19 .500 2  
Charlotte 18 20 .476 3  
Cleveland 17 21 .450 4  
Milwaukee 16 22 .425 5  
Detroit 15 23 .400 6  
Toronto 14 24 .375 7

## WESTERN CONFERENCE

## NORTHWEST DIVISION

Utah 21 17 .550 0  
San Antonio 20 18 .526 1  
Minnesota 19 19 .500 2  
Houston 18 20 .476 3  
Vancouver 17 21 .450 4  
Dallas 16 22 .425 5  
Denver 15 23 .400 6

## PACIFIC DIVISION

Seattle 21 17 .550 0  
Los Angeles 20 18 .526 1  
Phoenix 19 19 .500 2  
Portland 18 20 .476 3  
Sacramento 17 21 .450 4  
Golden State 16 22 .425 5  
L.A. Clippers 15 23 .400 6

## TODAY'S GAMES

Golden State 25 27 18-87  
Washington 25 25 21-29-10  
G.S. Jackson 7-18 4-15, Marshall 6-13-3  
4:15 W. Webster 11-21 5-26, Murray 9-21-4  
8:24, Rebounds—Golden State 49 (Weather-  
spon, Dampier, Jackson 6), Washington 59

## ICE HOCKEY

## NHL STANDINGS

## EASTERN CONFERENCE

## ATLANTIC DIVISION

W L T Pts GF GA  
New Jersey 20 17 6 62 103  
Philadelphia 19 17 6 62 103  
Washington 20 20 11 43 159 147  
Boston 22 22 12 54 141 139  
Buffalo 22 21 14 56 141 141  
New York Rangers 20 20 8 48 140 162  
Florida 19 22 12 48 140 162  
Tampa Bay 11 28 9 31 109 192

## NORTHWEST DIVISION

Pittsburgh 20 16 13 73 166 134  
Montreal 28 22 7 63 170 147  
Boston 22 22 12 54 141 139  
Buffalo 22 21 14 56 141 141  
Ottawa 23 26 10 56 152 165  
Carolina 21 29 7 49 137 161

## WESTERN CONFERENCE

## CENTRAL DIVISION

Dallas 37 12 3 82 178 116  
Detroit 31 15 13 79 178 127  
St. Louis 30 22 8 68 149 151  
Phoenix 24 24 11 59 164 146  
Edmonton 22 24 9 53 138 140  
Toronto 19 30 8 46 133 169

## PACIFIC DIVISION

Los Angeles 37 12 3 82 178 116  
Vancouver 27 20 10 64 169 151  
San Jose 28 22 7 63 170 147  
Edmonton 22 24 9 53 138 140  
Anaheim 19 30 8 46 133 169  
Calgary 16 30 8 46 133 169  
Vancouver 17 30 8 46 133 169

## TODAY'S GAMES

1st Period: New York, 2-0; Philadelphia, 1-0; Washington, 1-0; Boston, 1-0; Buffalo, 1-0; New York Rangers, 1-0; Florida, 1-0; Tampa Bay, 1-0; Pittsburgh, 1-0; Montreal, 1-0; Boston, 1-0; Buffalo, 1-0; Ottawa, 1-0; Carolina, 1-0; Dallas, 1-0; Detroit, 1-0; St. Louis, 1-0; Phoenix, 1-0; Edmonton, 1-0; Toronto, 1-0; Los Angeles, 1-0; Vancouver, 1-0; San Jose, 1-0; Anaheim, 1-0; Calgary, 1-0; Vancouver, 1-0.

## N.Y. RANGERS 1 1 3 3

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## SOUTH AFRICA

## RUGBY UNION



DAVE BARRY

## Tax Advice — for Humans Only

MIAMI — It is time once again for our annual feature "Tax Advice for Humans," the column that explains the complex U.S. tax laws to you in simple, everyday terms that have virtually nothing to do with reality. This is the only tax-advice column that has the courage to give you the following written guarantee in writing:

"If, as a result of following the advice in this column, you are for any reason whatsoever confined to a federal prison, we will personally come and live in your house, until your refrigerator is out of beer."

So let's get started! Most likely the foremost question in your mind, as you prepare to fill out your federal tax forms, is: "Can I cheat?" A lot of taxpayers are thinking that this is a good year to take advantage of the Internal Revenue Service, because of the way it got hammered in those congressional hearings last September. Remember? One by one, taxpayers went before the Senate Finance Committee and told alarming stories like this: "I got a letter from the IRS computer stating that I owed taxes back to the year 427 B.C., which seemed like a mistake, plus the letter addressed me as 'The Dionne Quintuplets,' so I went down to the IRS office to straighten things out, and the next thing I knew I was being dangled from a helicopter by one leg."

When the nation heard these stories, everybody was outraged. The IRS formally apologized to the taxpayers and ordered the dismantling of the agency's primary guillotine.

So a lot of people are thinking that this year, while the IRS is under fire, is a good time to "play fast and loose" with their tax returns, and maybe even get revenge for the years of abuse by yanking the IRS's chain a little bit. One leading tax-preparation firm, which I will not identify here except by its initials, "H" and "R," has gone so far as to write taunting remarks in the margins of its clients' tax returns, such as:

• "Hey Audit Bitch! If you don't believe I spent a 100 percent deductible total of \$224,123 on Pez, perhaps you would like me to complain to the Senate Finance Committee?"

• "No I shall NOT enclose Form 10448275-J! I shall use Form 10448275-J for INTIMATE HYGIENE PURPOSES HAHAHAHA!"

This kind of thing is, of course, a lot of fun, but we are not recommending it. What many people do not realize is that, after the IRS finished publicly apologizing to the taxpayers who testified against it last September, it quietly

tracked them down and relieved them of all of their worldly possessions, including comets.

So we are not recommending that you cheat. You should heed the words of IRS Commissioner Charles Rossotti, who, in this year's Letter to Taxpayers, states: "Every citizen owes it to the nation to pay his or her fair share of taxes, unless of course he or she has made a whopping cash contribution to a key congressional or President Bill Clinton or Vice President Al Gore. I Honestly Thought That They Were Just A Bunch Of Very Wealthy Buddhist Nuns!" Gore.

Here are some questions that you are likely to ask in preparing your tax returns this year:

Q. Did the government change the tax laws again?

A. Ha ha! That is the stupidest question we have ever heard! OF COURSE the government changed the tax laws! The government had no choice! The

government found out that, despite the fact that the U.S. Tax Code is larger than the entire state of Connecticut, there was still one U.S. taxpayer, Norbridge K. Tringle Jr., who was able to correctly prepare his own tax return.

The government considered handling this threat to the national security by sending a B-2 Stealth bomber to destroy Tringle's house and financial records, but the Air Force vetoed this plan because of the risk that the \$2 billion plane would be brought down by Tringle's lawn sprinkler. So the House and Senate Joint Tax Mutation Committee swung into action and made a number of significant changes to the Tax Code, which you need to know about.

Q. What, specifically, are these changes?

A. Nobody knows.

Q. How many taxpayers will have their total income-tax payments, for the entire year, used to provide food, housing, transportation, medical care, Secret Service protection and chew toys for Buddy, the new White House dog?

A. White House spokesman Mike McCurry says that the "best estimate" is currently "around 300 taxpayers" but notes that this number could rise significantly "if Buddy is implicated in this Whitewater thing."

Q. In your opinion, what is the single most common error that I am likely to make, as a taxpayer?

A. In our opinion, that would be having "light" beer in your refrigerator.

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## Courtyards: The Paris Behind the Portals

By Mary Blume

International Herald Tribune

PARIS — Something there is in the French that loves a wall. They think they crave intimacy but they indulge the lesser demands of distance: the word *promiscuité* means what it does in English, the French *promiscuité* means crowding or lack of privacy.

The sense of privacy, whatever its motives, is in Paris a source of visual delight: the sudden view of a hidden and unconsidered place. The present show at the Pavillon de l'Arsenal, "Paris cote cours: La ville derriere la ville" (Courtyards of Paris: The City Behind the City), deals simply with the many courtyards of Paris, some celebrated, others unknown, all by their nature cut off from the stranger's eye.

To say it deals simply is not quite right for Arsenal shows since they are aimed at architects and urban planners and the catalogues are written in contorted jargon, unrelieved by the canned birdsong against which the show is held.

Of course, the specialists had a problem; not expressed but apparent, and that is how a courtyard should be defined.

The Cour de Rohan near the Odéon seems to qualify although it is in fact a short street; in Pigalle the street where Jean Renoir lived is mentioned as a courtyard although its name is Avenue Frochot. And there are the endless passages, *impasses*, *allées* and even *cités* that are deemed courts. Even Pierre Larousse compiling his dictionary in the 19th century tended to fudge the issue and so varied are the examples that today's architects use the old word *redan*, or fortification, instead of *cour*.

For the untutored pedestrian, a Paris courtyard is usually discovered by accident because a front door has been left open: smallish, with uneven cobblestones, and a concierge's loge with ivy growing up its walls and, in summer, vacationing tenants' geraniums thriving in front of the concierge's door. They are wonderful, surprising and can be found throughout this city; they are more part of the lens of Robert Doisneau than of modern theorists who refer to them, as a professor of architecture does, as "a structured void."

"The courtyard escapes controls. It is the opposite of the town, a sort of protected parallel world. . . . In courtyards a different sort of city appears, as if in reference to another time," the contemporary architect Alexandre Chemetoff writes. "The courtyard exists by contrast, it shows a hidden city, secret, reserved, in contrast to the strict alignments of boulevards and places."

There is the disappearing glass and iron rectangular courtyard of artisans' workshops, as at 13 rue Titon in the 11th arrondissement, and the grand courtyard Helena Rubinstein had built by Louis Sue in 1934-7 at 24 Quai de Bethune. There are the institutional courtyards of convents and prisons (one of the contributors, Jean-Pierre Le Dantec, spent nine months in the Santé prison for alleged "revolutionary activities"). There are the courtyards of



A modern courtyard treatment: The Abbesses theater in the 18th arrondissement.

modern office and apartment buildings, true *redans* laid out simply to cover underground parking space.

The first courtyards in medieval Paris were built on the rural model and centered on a common pump. For Victor Hugo the 14th-century Cour des Miracles (near the present Rue Montorgueil) was a sort of garbage dump/red-light district/ashram whose name may have come from the false lepers and epileptics recruited by priests to effect miraculous cures and thereby reinforce public faith.

By the late 17th and 18th century the Paris of wood



The Cite Fleurie, a classic Paris hideaway.

had become a Paris of stone. Fine town houses, or *hotels particuliers*, were backed by a garden and with a forecourt that served as stable and passage to the noble dwelling and separated it from the noisy street.

In the 19th century, with the invention of income-producing apartments and private houses, the profit motive inspired the shape of courtyards. They became a means of separating a large building into smaller units with different staircases and elevators and thereby eliminating dreaded *promiscuité*. While earlier the windows that gave on the street were the most coveted, it was realized that by putting larger light-catching windows in courtyard apartments and decorating the courtyards rents could be handsomely increased. In poorer neighborhoods the courtyard became a shared public convenience and the collecting spot for night soil, slops and used water. In 1894 a decree was passed demanding that landlords connect their buildings to the public sewer, a measure they deemed excessively hygienic and possibly socialist.

The Modernists of the 20th century had little time for courtyards; nor did the architects of post-World War II Paris. "The building space was viewed as such, without metaphorical meaning," the architect Eric Lapiere writes. Architecture without metaphor is unthinkable in Paris.

Christian de Portzamparc, one of France's top architects, says that early in his career when he entered an architectural competition, he was told he was wrong to think that hollowed out space could have architectural value. These days the courtyard is back in favor as a metaphor and architectural feature.

Every tall new building has a courtyard of sorts, some agreeable, some with wishfully redeeming planting so stiff that it looks as if it had been cut by barbers' clippers. A void, but not what Portzamparc had in mind.

Interestingly, the sketches that Portzamparc and the highly regarded Henri Ciriani contribute to the catalogue are not of their own buildings but of the small old cobblestoned courtyards that one falls on by happy chance.

They are among the glories of Paris: "Paris is a city of courtyards as others are of towers or parks or water," says the exhibition's curator, Pierre Gangne. "A transitory space, then, where private and public mingle," says Le Dantec.

The mingling is more metaphorical than real. Just the other day a couple of tourists walking up Rue du Bac spied a fine open courtyard backed by a glade of lovely trees.

They wandered in and were shortly stopped by a furious guard. "You can't come in, this is a ministry," he said. He didn't get it when the tourists started to laugh. It was a ministry, all right, but the Ministry of Tourism. "It is because courtyards are sites of memory that they are sites of freedom," Chemetoff writes in the catalogue. Not if you are a tourist, it seems.

## Rufus Sewell's Recurring Dream: Breaking the 'Byronic' Stereotype

By Sarah Lyall

New York Times Service

LONDON — Rufus Sewell has been called "Byronic" so often that he has begun to have a recurring fantasy: He will shave off his rich, dark curls and begin his acting career again, typecast this time as an unpretty skinhead.

"I don't want to be a hair actor," he said over lunch at the fashionable Ivy restaurant, at a prime table that befitted his status as a local star who just happened to have two films — "Dangerous Beauty" and "Dark City" — opening within a week of each other.

Neither his rumpled, all-black clothes nor his unbrushed hair and unshaven chin dimmed the impact of his most prominent features: his enormous, slightly protruding greenish-brown eyes and finely chiseled cheekbones. "I don't want to be an actor who's good-looking, I'd like to be as good-looking as I can, but I don't want to be a good-looking actor."

He went on: "It's not that I'm against being called Byronic, but it's certainly no truer than anything else. You don't want to hear it more than twice in a row."

Sewell, who was once seen smooching with Kate Winslet at this very restaurant but who is now happily living with a fashion journalist, has some reason to be concerned about show business's looks-ist tendencies.

Just as Colin Firth, another appealingly unkempt British actor, burst into the public consciousness when he emerged from a lake in a wet poet's blouse in the BBC version of "Pride and Prejudice," so Sewell, 30, has found the public — particularly the female public — most responsive when he wraps his hawny, six-foot-tall physique in a frock coat and tight Edwardian pants.

Most memorably, the roles that have called for such display have included Septimus, the dreamy tutor in Tom Stoppard's 1993 play, "Arcadia," onstage in London, and Will Ladislav, Dorothea's passionate, unconventional suitor in the BBC's adaptation of George Eliot's "Middlemarch" (1994).

Casting Sewell in "Arcadia" was "a stroke of luck for us," said Stoppard, who couldn't resist evoking a certain Romantic British poet. "He was Byronic, with a very good comic instinct. I don't think the character in 'Arcadia' could have got off to a better start. Is Rufus a sex symbol? Well, good for

him, but he's also an extremely accomplished actor."

Sewell has played a host of other characters, like Patryk Kensis's charming, heroin-addicted boyfriend in the movie "21," a suspected Irish Republican Army terrorist in Stephen Daldry's 1995 London revival of the play "Rat in the Skull," a sexy painter in the film "Carrington" and a sensual rube in "Cold Comfort Farm." But he worries about being pigeonholed as a romantic lead in roles for which he feels he doesn't have a particular aptitude.

He needn't worry anytime soon. The films in which Sewell is appearing currently display his versatility.

In "Dangerous Beauty," he plays Marco, a dashing 16th-century Venetian nobleman who chooses love with a beautiful, spirited and brilliant courtesan, played by Catherine McCormack, over duty with a plain and pious wife. This is a film that brings him close to his reluctant Lothario image.

In "Dark City," a film that is part noir, part science fiction, Sewell plays a bewildered American who wakes up next to the body of a murdered woman, not knowing where — or who — he is. And in "The Woodlanders,"

adapted from the Thomas Hardy novel and set out in Britain, he plays Giles Winterbourne, a simple laborer, hopelessly in love with his childhood sweetheart (Emily Wolf), who marries above her station and learns, too late, that she has chosen the wrong man.

"Dark City" is clearly a departure for Sewell. It's a surreal, almost hallucinogenic, work set in a world of eternal night where an eerie group of deathly pale creatures in leather overcoats are conducting sinister experiments with human memory. The cast includes Kiefer Sutherland as a sickly doctor, William Hurt as a world-weary police detective and Ian Richardson as the leader of the supernatural villains.

While this strange film may not have wide appeal, it could attract a cult following. Sewell, who clearly loves going to the movies as much as he loves acting in them, described it as a "Fritz Lang science fiction film."

"That's what I loved about it," he said, "that it's a strange mix of styles. When I read the script, it reminded me a little bit of 'Brazil,' a little bit of 'Barton Fink,' a little bit of 'Jacob's Ladder.' What I like about it is the way it doesn't worry about the why and the how, but just says, 'This is the way it is.'"



Sewell: "I don't want to be a good-looking actor."

## PEOPLE

THE actress Pamela Anderson Lee of "Baywatch" fame has filed for divorce from Motley Crue's drummer, Tommy Lee, after he was arrested for allegedly assaulting her. In her petition, she asked for custody of their two young children, a protective order keeping him away from her and the children, and her old name back — Pamela Denise Anderson. She said the couple had separated on the day of the alleged assault, Tuesday, at their Malibu home, where Pamela Lee told deputies that she and her husband had argued and that he had attacked her. The actress declined medical treatment, and her publicist initially issued a statement calling the incident a "private matter between Pamela and Tommy Lee." But later she issued a distinctly different statement: "Tommy Lee assaulted and battered Pamela while she was holding their 7-week-old child, Dylan, and in the presence of their 20-month-old son, Brandon, causing her and Dylan physical injuries and severe

emotional distress, and causing Brandon emotional distress." Tommy Lee was charged with spousal abuse, child abuse and a firearms violation. He is currently on two years' probation for a conviction on a battery charge.

The New York Philharmonic has announced that Kurt Masur will continue as its music director through the 2001-2002 season as the orchestra looks for his eventual successor. Masur, 70, the Philharmonic's music director since 1991, fueled gossip in music circles when he complained that the Philharmonic was pressuring him to retire. He told The New York Times that he would help search for his replacement but might stay on longer "if we don't find someone."

The romance novelist Danielle Steel will marry for the fifth time, this time to the venture capitalist Thomas J. Per-

kins. Steel would not give a date for the wedding but said it would be small.

Work-release must cease for Robert Downey Jr. So says the Los Angeles County Sheriff's Department, which opposes any more escorted excursions for the actor, who is serving a six-month jail sentence for drug violations. Downey has twice been allowed to leave jail for a day to work on movies, most recently on Feb. 17, when deputies escorted him to Paramount Studios to do some recording. "It's too disruptive and not the way to operate a jail for the convenience of any inmate, no matter who that might be," Sheriff Sherman Block said. Downey had been ordered to pay for the escorts.

The Spice Girls have no plans to perform at an Indian archaeological site famed for its erotic sculptures, a spokesman said. A newspaper report last week about the group's planned performance in November in the central Indian town of Khajuraho drew protests from a leading exponent of Indian classical dance. But the group's London-based public relations agency said, "That story broke here a week ago and it was not true."

The cosmologist Stephen Hawking will give a lecture at the White House next week on "science in the next millennium." Hawking, author of the best-selling "A Brief History of Time" and the Lucasian Professor of Mathematics at Cambridge, will address 160 guests at the second of President Bill Clinton's "millennium evenings," the university said.

## Where Are the Boundaries of Nonfiction?

By Doreen Carvajal

New York Times Service

NEW YORK — In the frenzied commerce of best-selling books, truth is stranger than fiction, no matter how dull or stubborn the facts.

When John Berendt needed a transition for his nonfiction best-seller "Midnight in the Garden of Good and Evil," he made up sassy dialogue for his charismatic real-life character, Lady Chablis, who shows up at a fortune-telling point in the narrative to break the news of a murder.

"I call it rounding the corners to make a better narrative," Berendt said of the fictional polishing he employed in the book, a 1995 Pulitzer finalist that is a record-breaking perennial on best-seller lists. "This is not hard-nosed reporting, because clearly I made it up."

With the growing popularity of personal memoirs, political confessions and "nonfiction novels," truth is coming under increasing pressure in the publishing industry's quest for entertaining, vividly written stories that are easier to market with the stamp of authenticity.

The genre of nonfiction novels was established more than 30 years ago with "In Cold Blood," Truman Capote's account of the murder of a small-town Kansas family and the execution of the killers. The author bragged that he had created a new literary form, but the book's accuracy has since been called into question in a new oral history of Capote.

The blurring of the line between fiction and nonfiction has prompted public appeals for just the facts and led to a

quiet debate within at least one publishing company, Random House, and questions about whether tinkering with the truth is a form of literary robbery.

"More and more, the public expects nonfiction books to be like this: to have that perfect, seamless storytelling quality," said H.G. Bissinger, the author of the new nonfiction book "A Prayer for the City," who has been publicly critical of what he labels "faction." "That's an impossible high bar." He added: "Writing books is hard. And if you're trying to get it right, you really do suffer with the

facts you have. Believe me, I went through a lot of days of depression and self-doubt, but one thing I was not going to do is make it up."

Outraged relatives of Monty Roberts, a California horse trainer who kills himself as a real-life "horse whisperer," say they are planning a barbecue next month to grill steaks and roast copies of his best-selling memoir, "The Man Who Listens to Horses" (Random House).

In his book, Roberts contrasts his sometimes brutal upbringing by his father, Marvin, with his gentle rapport with horses, a style he started to develop at age 13 during a Nevada roundup of wild horses.

Monty Roberts's family — particularly his brother, Larry — has denounced his claims that his father regularly beat him and has denied that the Nevada roundup ever took place.

Indeed, facts large and small in the book have been challenged by a wider circle of friends and acquaintances in Salinas, California, including the family of Bill Dorrance, a respected horse trainer whom Roberts describes in a dedication as one of his cherished teachers.

"My dad really never had an association with him," said Steven Dorrance, whose father is in his 90s. "I know the publishers have deadlines to meet, but really there hasn't been any verification. Nobody ever called to check with my dad. Whatever he wrote that was it, and let the buyer beware."

In turn, Roberts dismisses criticism of his book as part of a general effort "to discredit me because of exposing my father."



The author John Berendt.

## Amistad Documents Are Sold at Auction

The Associated Press

NEW YORK — Two documents relating to the Amistad slave rebellion of 1839, the subject of the recent Steven Spielberg film, have been auctioned for \$8,050.

A "Congressional document" filed "Africans Taken in the Amistad," dated a year after the mutiny, went for \$2,990, and a first-edition text of an 1841 argument before the U.S. Supreme Court by Roger S. Baldwin was sold for \$2,550.

The buyer of both items was an antiques dealer who chose to remain unidentified, said a spokesman for Swann Galleries Inc.

"If these are originals, they are very significant documents," said Donald DeVore, executive director of the Amistad Research Center at Tulane University in New Orleans, a repository of records and memorabilia of that and other race-related historical events.